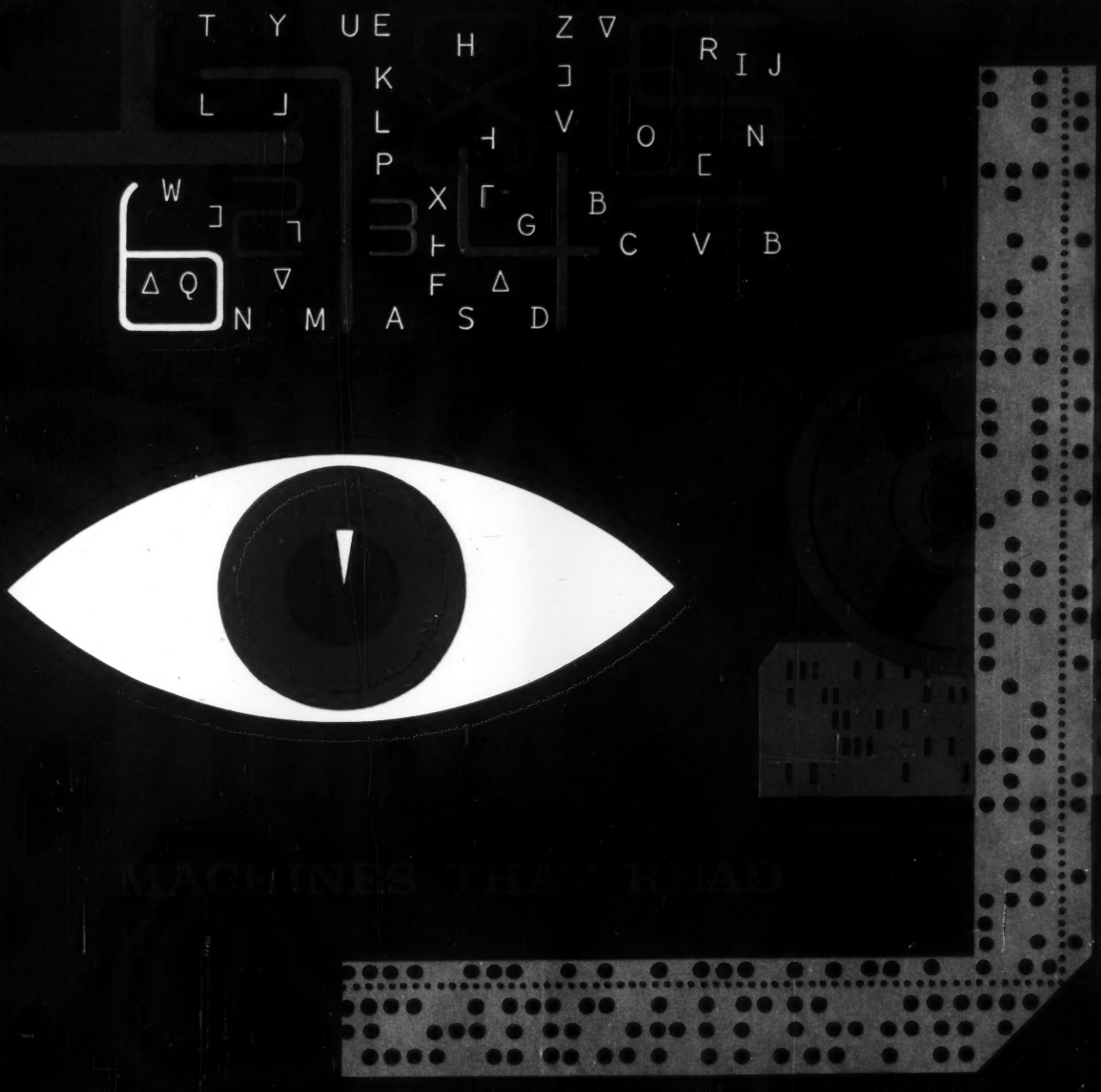
July 1961 75c

DUN'S REVIEW
AND MODERN INDUSTRY

- Can Free Enterprise Come Back?
- Dilemma of the Annual Report
- Miracle Market on the Rhine



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DUN'S REVIEW AND MODERN INDUSTRY

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Choosing a Silk Shantung—Photo by Ted Croner

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...and commercial banks help make the selection possible

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Letters to the Editor

The No-Load Funds

Sir: We have read with great interest your excellent article on no-load funds ("How Good are No-Load Funds?" DUN'S REVIEW, June).

One important factor in a comparison of the no-load funds with those which impose a sales charge is that load funds tend to be considerably larger, which has the effect of limiting their ability to get in and out of a particular issue. Certain stocks would be out of the question for the larger funds, particularly in over-the-counter securities.

A buyer for one of the large load funds was recently quoted as stating that his fund's minimum position in any stock issue was $1 million. You can imagine the dampening effect on market mobility that such a restriction would create.

ERNEST E. MONRAD
Trustee,
Northeast Investors Trust
Boston, Mass.

Sir: Somehow all of our copies of the May and June issues of DUN'S REVIEW have been "taken home" for reading . . .

HERBERT A. LOEWY
Vice President,
Swan Rubber Co.
Bucyrus, Ohio

Sir: Most interesting! Out here in the country it is a bit difficult to get complete information on these things.

WALTER W. FRY
Valley Hay & Implement Co.
Sunnyside, Wash.

Transportation Report

Sir: In regard to your special report on transportation ("The $50-Billion Battle," DUN'S REVIEW, June), I believe there are other problems caused by transportation systems, themselves, which must be improved upon before they get out of the woods.

For more than thirty years, railroads have been using impact recorders. When our company came out with a recorder that offered a great deal more than the type that had been used, we were, in effect, told that the railroads were not interested in our unit because they would have to learn something about a different type of equipment.

W. S. MIELZINER
President,
The Impact-O-Graph Corp.
Cleveland, Ohio

Sir: That was quite a job on transportation! It is a pity that the reading public can never know of the cruel long hours and hard work that go into preparation of such a study.

JOSEPH POTTER
New York, N.Y.

Prices & Politics

Sir: In "Selling the Price Hike" (DUN'S REVIEW, May), I call your attention to another fact: the intrusion of non-economic factors into the pricing decisions of business.

The pricing of crude oil provides a perfect example. For many months before the recent increase in crude oil prices, oil industry executives complained of rising costs. Why, then, did they not simply raise the price of crude oil? Perhaps what happened after the increase went into effect may explain their reluctance.

Barely was the ink dry on the new price posting than several Senate committees began a scramble for the right to investigate the increase. And, although a valuable discussion of important issues has resulted from the investigations, it is clear that the purely economic factors behind the increase received little attention.

IRWIN M. STELZER
President,
National Economic
Research Associates
New York, N.Y.

The Health Market

Sir: The article "How to Sell the $30-Billion Health Market", (DUN'S REVIEW, May), states that the Simmons Co. has added both the Hausted Manufacturing Co. and the American Sterilizer Co.

There is no basis for this statement, and we would appreciate a correction to that effect.

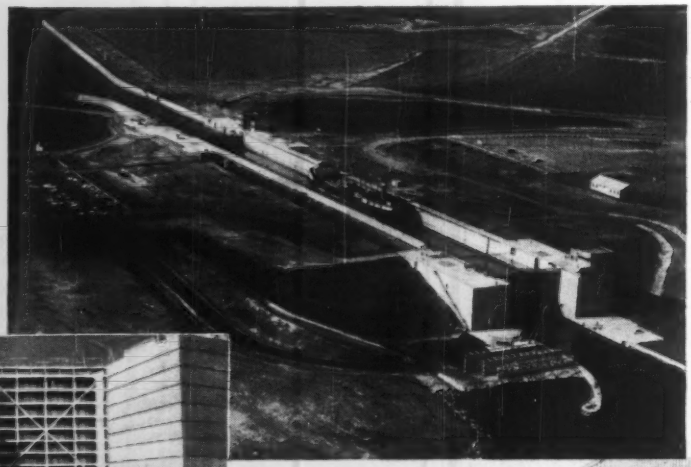
H. M. TOMPKINS
Advertising Manager,
American Sterilizer Co.
Erie, Pa.

when management (or governments) make the **big** *decision . . .*

on construction projects . . .

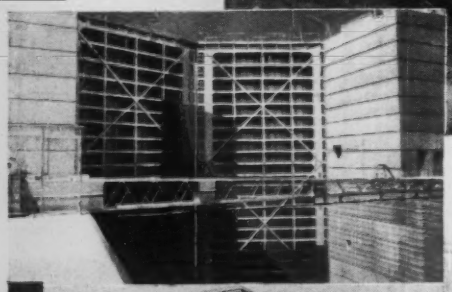
—IT'S MAHON

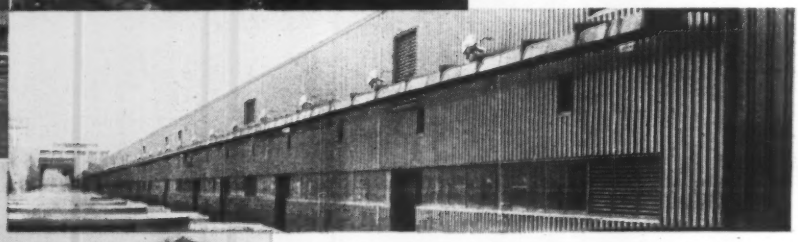
case in point—the St. Lawrence Seaway



fabrication by Mahon

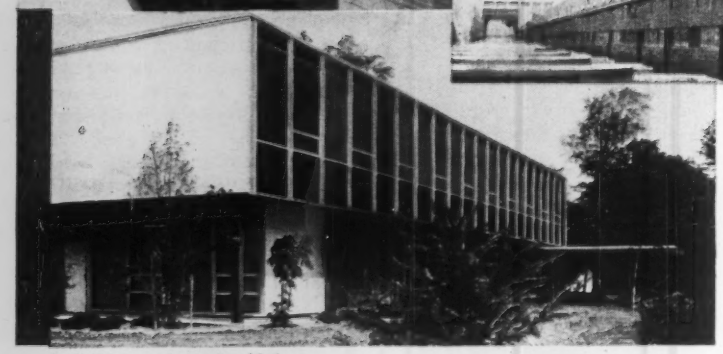
Aerial view (at right) of Eisenhower Locks of the St. Lawrence Seaway. The 85-ft-high miter gates (below), were precision-fabricated by Mahon. Each section weighs 261 tons.





building products by Mahon

Almost a mile of 28-ft. high Mahon aluminum Curtain Wall went into the recently opened Moses-Saunders Power Dam—a vital facility of the St. Lawrence Power Project. Engineers: Uhl, Hall & Rich, Boston and Hydro-Electric Power Commission of Ontario, Canada.



building products by Mahon

Electrified cellular M-Floors from Mahon were used in the St. Lawrence Seaway Corp. Administrative Bldg. Architects: U. S. Dept. of Engineers, Buffalo Dist.

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WASHINGTON DESK

DUN'S REVIEW AND MODERN INDUSTRY
July 1961

Consumers are being eyed nervously by White House economists. The President's advisers think that the business upturn will be sharp only if consumers begin buying heavily. But they look in vain for evidence that a buying spree is at hand. Not that the customers are staying home. They are spending healthy sums, in fact, just as they did throughout the recession. The trouble is, they are not boosting their purchases at a fast clip. Consumer buying is providing strong support for the economy. But it is not a significant expansionary force.

The Administration thinks that national output will climb to a $530-billion annual rate by the fourth quarter, but there still are many uncertainties. The businessman is just as hard to type as the consumer. It has been widely predicted that businessmen will increase their capital investment programs markedly during the second half of the year. So far, though, surveys of business spending plans have not confirmed these expectations. True, inventory buying went up sooner than had been anticipated. But some government economists have an uneasy feeling that businessmen may not continue adding to their stocks.

One expansionary force is sure to persist. That is government spending. Under the pressure of growing populations and prosperous, more demanding constituents, state and local governments are enlarging their outlays. Federal expenditures are climbing under the impact of the bigger spending programs authorized by former President Eisenhower during his last six months in office and the even larger increases that President Kennedy ordered after he entered the Executive Mansion.

* * *

Competitive bidding for Government work on the way out? The Pentagon is searching for more economical ways of buying big, complicated modern weapons. The blossoming of the missile and space age has made it steadily less feasible to use competitive bidding and other standard techniques for holding down prices. Less than a decade ago, the Air Force bought more than 87% of its requirements through fixed-price contracts and filled less than 13% of its needs through cost-reimbursement arrangements. But now cost reimbursement has jumped to 43% of the total.

Defense Department procurement experts complain that they cannot keep an effective check on contractor costs under the reimbursement contracts. It takes more time, more manpower and more intensive surveillance than the Pentagon can provide. What the Armed Forces now are groping for is an approach that will permit continued use of cost-reimbursement buying (there is no practical alternative) while using incentives and penalties to get more efficient contractor performance. Talk is focusing on establishing a range of final payment fees. The better job a contractor does, the larger the payment he would receive. The poorer the job, the smaller the payment. And if he really muffs the ball, he might have to pay the Government.

* * *

Lower interest costs for home buyers who use Federal Housing Administration mortgage insurance are the object of a new plan that the Administration is now working on. The FHA currently adds an insurance charge of one half of 1% to the rate the borrower pays the mortgage lender. The housing agency has built up a huge fund against the possibility of future losses, and many Administration experts think the fund no longer need grow as rapidly as it has. They think a charge of one quarter of 1% would be ample. The cut would chop one quarter of 1% from the effective monthly interest cost of everyone who buys a home with an FHA-insured mortgage. But the charge is set by law, and a request to Congress for a change is not likely before next year.

* * *

Small business is due for more federal attention. Look for the new White House Committee on Small Business to make intensive studies of the need for additional help for little firms. Small Business Administrator John E. Horne is chairman of the group. It includes representatives of eleven other agencies, including Treasury, Defense, Commerce, Labor, Justice, the General Services Administration and the Budget Bureau. Committee members claim that they will take vigorous steps to strengthen small business. Currently, they are digging deep into defense procurement policies, will press for giving a larger share of both Defense Department and GSA contracts to small concerns.

* * *

Next year's federal budget deficit may turn out to be a lot bigger than predicted. Fiscal experts are taking a skeptical view of Administration forecasts of a $3.7-billion deficit. The guessing among informed officials is that it will end up closer to $5 billion.

One difficulty is that President Kennedy will not get either the highway or postal revenues that he has asked Congress to provide. Prospects are that these two shortfalls will deepen the deficit by more than $500 million. The rest of the red ink is expected to flow from heavier spending than Mr. Kennedy has predicted. The outlook is that the Government will just barely squeeze under the new $298-billion temporary debt ceiling. Treasury Secretary Douglas Dillon would have felt more comfortable with a $300 billion limit, but Mr. Kennedy didn't want to ask Congress to raise the ceiling that high. The President figured it would give his political opponents far too inviting a target.

* * *

Auto prices will hold steady this year, if the Administration has its way. The key, of course, is the August wage negotiations between the carmakers and United Automobile Workers President Walter Reuther. A reasonable wage contract would mean no price increase, while a big settlement could force prices up. The UAW chieftain is on an uncomfortable spot, because of the relatively meager contracts he has obtained in recent years, while rival United Steelworker President David J. McDonald repeatedly was racking up substantial settlements. The Administration fears that a generous automobile contract and higher car prices would set the cost-push inflation cycle in motion once again. The President and his advisers aim to do all they can to prevent that from happening.

--Joseph R. Slevin

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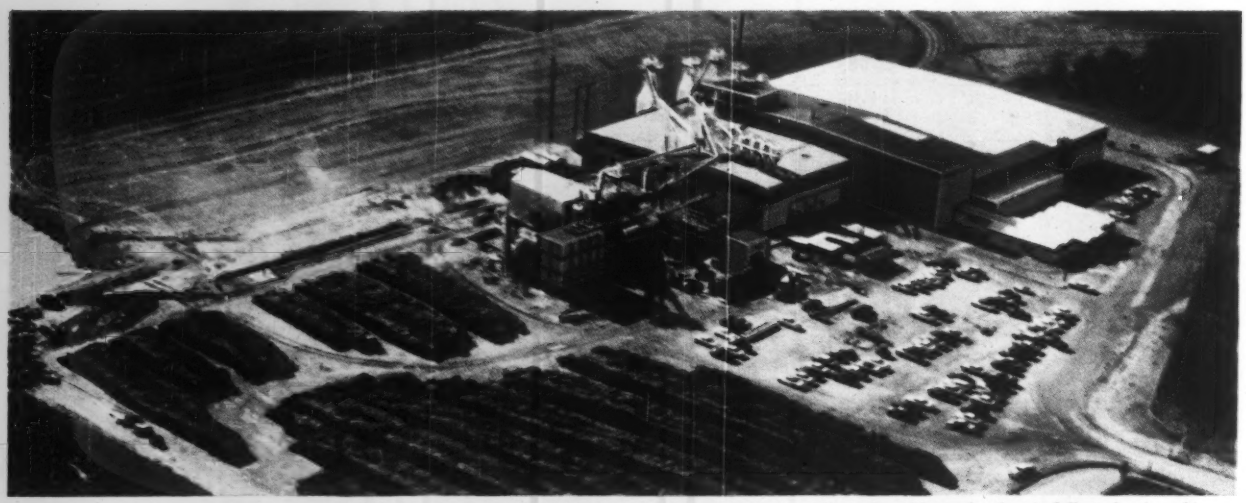
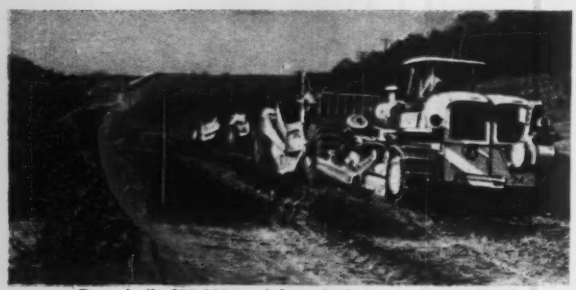


U. S. Plywood plant at South Boston, Va., is on 40-acre site, will employ 150 people when in full production of its Novoply board. Ultra-modern plant can produce 30,000,000 sq. ft. of 3/4" particle board a year from some 50,000 cords of Southern pine.

United States Plywood Searched For Sites Throughout The East...



State built $50,000 road from highway to plant, drawing on Virginia's special Industrial Access Fund which is set up for this purpose. Good highway and rail transportation enables U. S. Plywood to serve fast-growing eastern markets for particle board. With the South Boston plant, U. S. Plywood now has 54 in operation.

Virginia Forest Service foresters and Virginia Extension Service work closely with U. S. Plywood to provide assured supply of wood. Some 1,250,000 seedlings were planted this year on 250,000 acres of farmland. Company officials say local tree farms are among best operated in nation.

chose VIRGINIA

When United States Plywood decided to build a new particle board plant, company executives toured the entire eastern half of the nation before choosing a plant site at South Boston, Virginia. Reasons for choice: ample water, electric power and timberland . . . plus full cooperation of state and community. Virginia Division of Industrial Development and Planning went all-out to serve United States Plywood — the Virginia Employment Service held aptitude tests to help in placing employees — the Virginia Department of Education conducted classes to train workers.

South Boston offered the plant site without cost. Insisting on paying for the land, Gene Brewer, President of U. S. Plywood said, " . . . all of our people who have visited South Boston have come back with glowing descriptions of hospitality and genuine warmth they experienced. It looks as though we have all the makings of a good marriage."

Find out more about the advantages offered by Virginia. In confidence, phone, wire, write . . .

C. M. Nicholson, Jr., Commissioner
Division of Industrial Development and Planning

Virginia Dept. of Conservation and Economic Development

Room 803 - D R, State Office Bldg., Richmond, Va.
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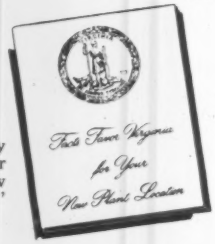

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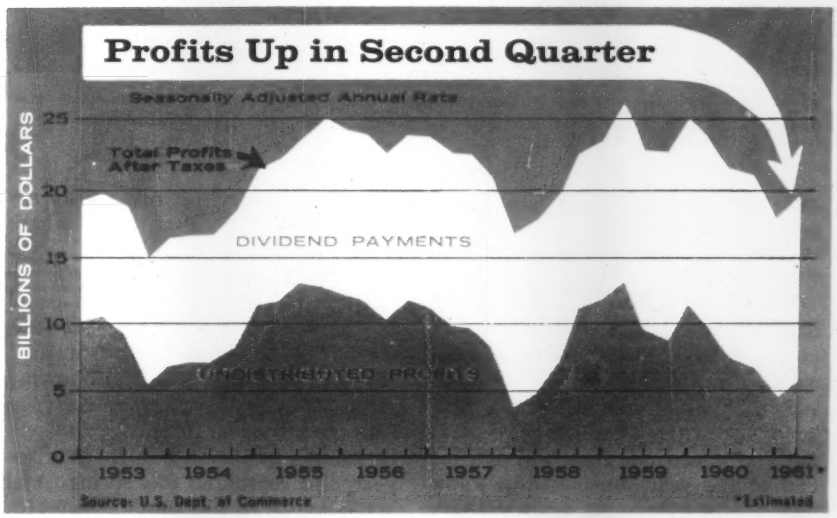
The Trend of BUSINESS

OUTPUT: *New highs in sight by year-end*
PROFITS: *Slow, steady climb through December*
HOUSING: *In the second half, a slight pickup*
FAILURES: *May dollar liabilities at 1961 low*

THE SUMMER LETDOWN is a tradition in many U.S. industries and it will soon be taking some of the force out of the current snapback. By late August, however, business activity will show a great deal more momentum—so much, in fact, that the economy may even go beyond many of its pre-recession peaks sometime this fall. Before the year is out, some of the standard economic indicators will be forging their way to new highs.

But since the recent recession was among the mildest in recent history and there is less ground to be made up, neither this recovery nor the rise to follow will be as swift as other upturns have been. Relatively high levels of unemployment will continue to plague the economy, despite the solid advances in physical output, rising sales and higher inventories. And their will be other shadows in an otherwise bright picture as well: profit margins and housing starts will not show the improvement expected earlier.



NOTHING SPECTACULAR but a rise nonetheless is the prediction for profits after taxes during the rest of the year. Behind the increase: higher sales.

Industrial output will equal January 1960's record high by late this summer or early fall.

Recent advances in the Federal Reserve Board's Index of Industrial Production have been highly dramatic. Though increases in the coming months will be more moderate, the Index is still likely to hit the pre-recession high of 111 (1957 = 100) in August or September, and by the end of the year will probably rise to a new record.

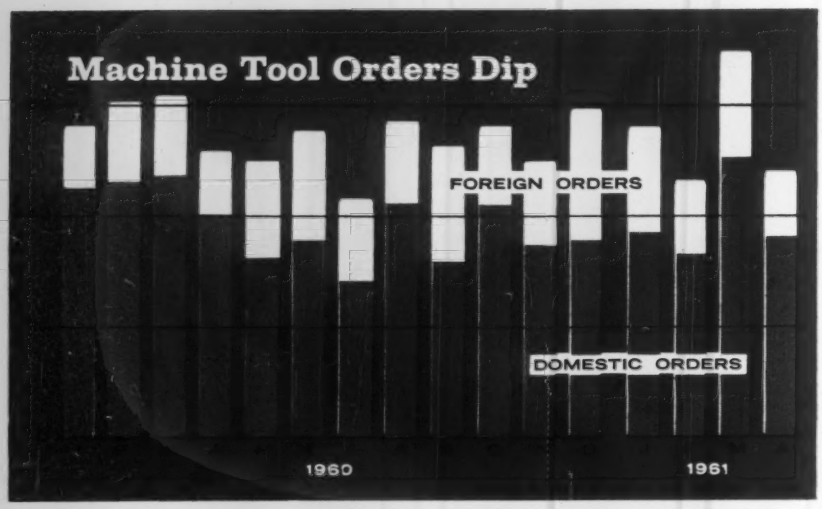
Production of nondurable goods, like coal, oil and electric power, lost comparatively little ground in the recession and hence will make only slight month-to-month gains. In contrast, durables will show marked advances during the rest of 1961, with one prominent exception. Major appliance producers, whose stocks are still relatively high, are likely to wait for a revival of consumer interest before hiking their production schedules significantly.

Steel's summer slump will be milder than usual. After it ends, operations will pick up tempo, slowly but steadily, through the end of the year.

It now looks as though steel production for 1961 as a whole may equal or even surpass the 99 million tons produced in 1960. It is doubtful that it will hit the record 117 million tons of 1955. But with users' inventories at an extremely low level, the mills will not be slowing production as much as they have in summers past, and this will affect over-all totals.

Chances of any price hike before the end of 1961 are fading, though customers still seem to be afraid that the line may not hold. This worry, along with their shrinking stocks, has stimulated a steady flow of new orders. Bookings from automakers, canmakers, farm implement manufacturers and many miscellaneous users are now fairly heavy. In addition, the steel companies will be getting new business from the construction and appliance industries later on in the year.

Unless the autoworkers take a long walkout this fall, over-all industrial output will gain considerable strength from auto production this year. This will not be apparent until the model-changeover process is completed, but car manufacturers are already encouraged by the recent increases in dealers' sales. They, themselves, have succeeded in paring inventories to levels closer in line with sales, and although production for the year as a whole will not match 1960's, the outlook is good.



A SHARP RISE in March, a dip in April—this pattern in machine tool new orders will continue until capital spending picks up speed later this year.

The shift in inventory levels will help lift industrial output. Liquidation is over now, and stocks are rising steadily.

With manufacturers building up their inventories, at least, instead of cutting them as they have for so long, we can look for a similar trend to start in retailing and wholesaling. In general, though, the rise will be gradual and paced out right through the end of the year. Businessmen know they will be able to get quick delivery on most goods. And they are not worried about any rise in borrowing costs should they need money to raise inventories later on.

An involuntary boost to over-all inventory levels will come from dealers who handle air conditioners and other major appliances. There, higher inventories will reflect not optimism about the future but disappointing sales.

New orders for manufacturers' durable goods will show steady month-to-month increases, and the margin over sales will widen. In recent months, bookings from the machinery and appliance industries have been off, but they will rise later this year.

After a tough spring, retailers can look forward to a solid increase in business.

With the weatherman against them throughout the winter and much of the spring, retailers were unable to match year-ago totals during most of the first two quarters. A clear, hot summer could easily stir up interest in air conditioners, outdoor furniture, summer apparel and other seasonal merchandise, stimulate sales where volume so far has lagged.

Whatever the weather, over-all retail trade is expected either to equal or surpass year-earlier levels this summer. With the start of the fall selling season, it should start showing some real gains. It appears likely, in fact, that those second-half gains will be enough to offset the slight year-to-year dips registered this spring. And if this happens, the autumn increases will nudge total dollar volume for 1961 slightly above 1960 levels. Any rise in over-all trade hinges, of course, on two things: how consumers react to the new car models and how interested they are in household durables, which are expected to start registering higher sales in the near future.

Retailers are now fairly confident that consumers will loosen the purse-strings before long. They are already planning to step up their orders at wholesale, where volume will soon match, and eventually exceed, year-ago levels.

As consumers buy more, there will also be an upturn in installment credit outstanding. This, however, will not be marked until later in the year, when memories of the recession have faded and shoppers go back to buying big-ticket appliances and furniture. If they also like the 1962 auto models, installment credit outstanding should rise still more.

Personal income will keep rising steadily in the months ahead, as more people are hired and workweeks lengthen.

In part because business conditions look good, but mainly because they will have more money, consumers will be spending more freely.

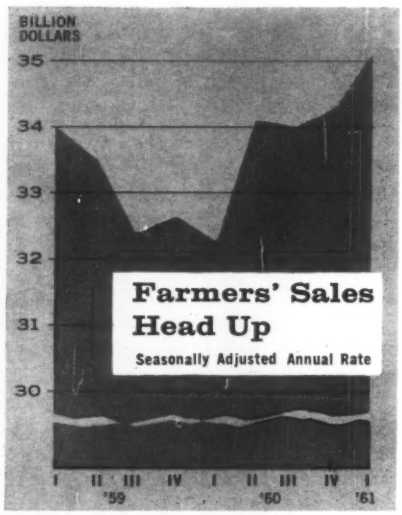
Behind the coming climb in personal income are a longer workweek and more jobs, as the nation's plants take on more men to fill new orders.

Yet in spite of gains in employment and a decline in the number of people out of work, unemployment will be a major headache through the end of the year and quite possibly well into 1962. The root of the problem, of course, is the constantly expanding labor force. Without an extremely vigorous upturn in business activity, it is highly unlikely the unemployment rate will dip below 6% any time this year. And this may well mean more Government aid to the unemployed, another prop to personal income.

There will be more housing starts, but consumer caution and higher vacancy rates will temper the gains.

The housing vacancy rate is on the rise and there is plenty of evidence that the big postwar demand for new homes is waning. Many people are also hesitant to commit themselves to the long-term debt that a house demands. So, though the Government's recent move to ease mortgage money will probably encourage prospective buyers, nothing like a housing boom is in prospect.

The housing outlook for the second half of 1961 is nonetheless



FARM MACHINE makers reap benefit of marked gains in cash produce sales.

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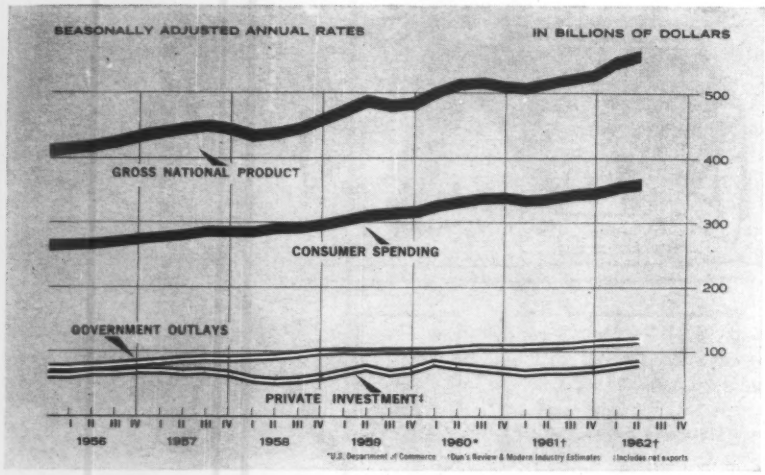
Looking Four Quarters Ahead

Quarters		Consumer spending	Government outlays	Private investment*	Gross national product
1960	III	328.3	100.7	74.5	503.5
	IV	330.8	102.1	70.6	503.5
1961†	I	328.8	104.7	66.3	499.8
	II	333.2	105.6	73.2	512.0
	III	339.6	107.6	76.3	523.5
	IV	345.4	109.7	79.9	535.0
1962†	I	352.5	111.3	82.1	546.0
	II	358.3	112.6	85.1	556.0

†DUN'S REVIEW & MODERN INDUSTRY estimates
*Includes net exports



Figures through the first quarter of 1961 are seasonally adjusted annual rates in billions of dollars, as reported by the National Income Division, Department of Commerce. Figures for the second quarter of 1961 and later are estimates prepared by Robert J. Landry of the Business Economics Department of DUN & BRADSTREET, INC.

brighter than it has been. Washington is expected to loosen mortgage money still more, and new housing starts should pick up noticeably.

This rise in residential building will help boost over-all second-half construction totals. So too will higher commercial outlays and more federal spending on highways, water systems and housing projects. Late in the year, industrial construction will raise over-all totals still more if business spending rises as expected.

Last month, when the U.S. Department of Commerce and the Securities and Exchange Commission checked or planned expenditures for new plant and equipment, results were pretty much the same as in the previous survey taken in March. Despite an upward movement starting in the third quarter, the SEC concluded, 1961 totals will show a 3% dip from last year's. No marked gains are likely until much of the excess capacity now present in many industries is in use, and until profit margins show some real improvement.

Once the business expansion picks up speed, there will be acute danger of new inflation, especially if new labor contracts in the auto and electrical appliance industries include wage increases. (The old agreements expire late this summer and bargaining difficulties are anticipated.) Another spur to inflation: any financing of the federal deficit through commercial banks, which seems a likely possibility at present. END

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

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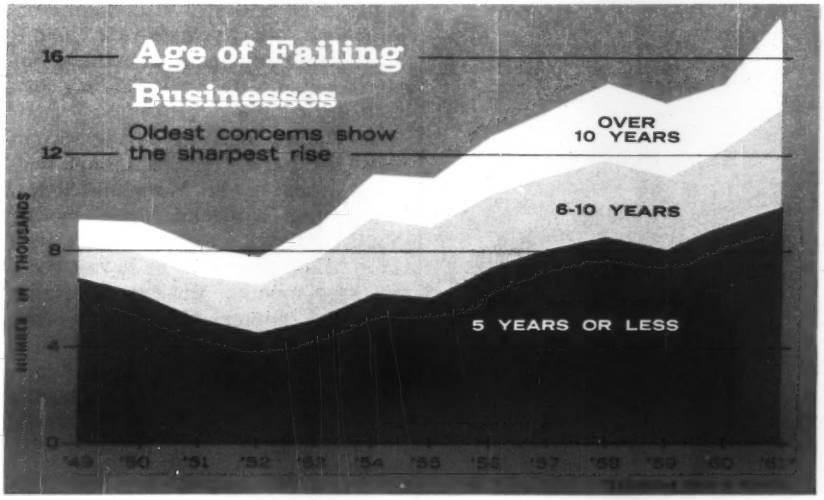
Business Failures

Tolls higher in most regions, but dollar losses dip



BUSINESS FAILURES turned up 7% in May to 1,545, the second largest toll since the war. This increase, running counter to a normal seasonal dip in May, chiefly affected medium-sized concerns and the wholesale trades. It lifted casualties within 4% of the record high of 1,610 set this March and 21% above their May 1960 level.

In contrast to the upward trend in the number of failing businesses, dollar liabilities continued down for the second month. They totaled $80.5 million, the smallest volume so far this year, although 10% larger than the $73.3 million in May 1960. Considerably fewer of the firms that succumbed had losses in excess of $1 million—four as against eleven in April.

Casualties occurred at a seasonally adjusted rate of 64.3 for every 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. This rate compared with 54.1 in May last year.

Among wholesalers, tolls climbed over one third above April's levels to reach a new postwar high. In the building materials, automotive and machinery trades they doubled.

Although some individual lines showed marked changes, milder increases prevailed in manufacturing, retailing and construction—none of these had as many total failures as in March, a month of record highs. Among manufacturers, the iron and steel industry suffered a 50% rise which lifted its toll above the previous postwar peak set in January. Among retailers, failures of restaurants and building materials dealers ran the heaviest since early 1958. On

continued on page 16

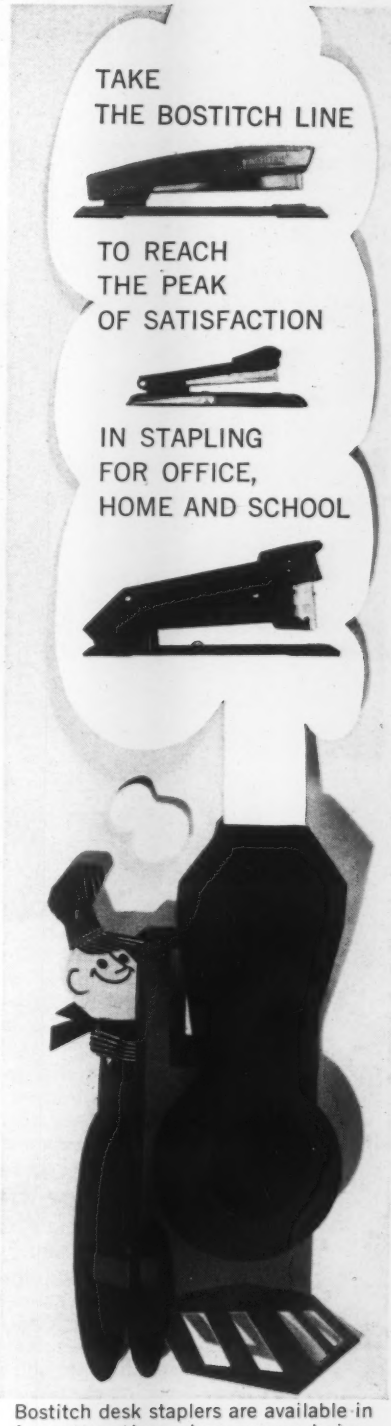
THE FAILURE RECORD

	May 1961	Apr. 1961	May 1960	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted	67.5	65.1	56.8	+19
Adjusted, seasonally	64.3	60.8	54.1	+19
NUMBER OF FAILURES	1545	1441	1273	+21
NUMBER BY SIZE OF DEBT				
Under $5,000	158	174	148	+ 7
$5,000—$25,000	677	595	561	+21
$25,000—$100,000	535	502	444	+20
Over $100,000	175	170	120	+46
NUMBER BY INDUSTRY GROUPS				
Manufacturing	269	238	229	+17
Wholesale trade	167	123	135	+24
Retail trade	731	704	564	+30
Construction	255	245	214	+19
Commercial service	123	131	131	− 6
LIABILITIES (*in thousands*)				
CURRENT	$80,471	$86,114	$73,307	+10
TOTAL	81,191	87,217	73,837	+10

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

†Per cent change, May 1961 from May 1960.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies or governments. They do not include long-term publicly held obligations.



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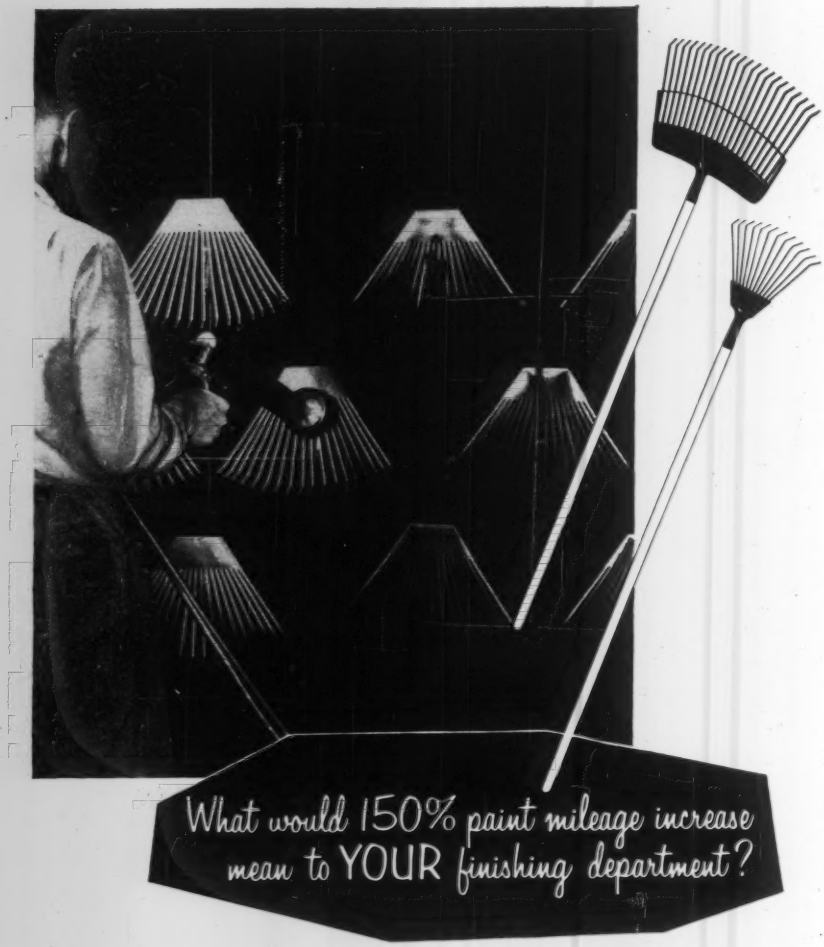

To Keller Manufacturing Co., Inc., it means a savings of nearly $50 a day in finishing costs on leaf rakes. And, theirs is a comparatively small plant operation.

Before moving into their new plant, this St. Louis manufacturer of Sweep-Easy lawn and garden tools investigated and tried out various finishing equipment. They chose Ransburg No. 2 Process to do the job because they found that only the Ransburg Electrostatic Hand Gun could give them the desirable increase in production—with improved quality—and at lower cost.

PRODUCTION IS NEARLY DOUBLED
QUALITY OF FINISH IS IMPROVED

With the Ransburg Hand Gun, Keller's daily painting prodution of leaf rakes nearly doubled what they were formerly getting with air hand spray. And, where they used to get only 168 rakes per gallon of paint, they now get 426 per gallon—over 2½ times as many—actually *an increase of over* 150% *in paint mileage.* With the unique "wrap-around" feature, electrostatic is improving the quality, providing a complete, uniform coating over all areas—even on the tine edges.

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the other hand, fewer food stores succumbed than in any other month this year, and failures of service businesses dipped below both their April 1961 and their May 1960 levels.

All types of operations except service industries had more failures than a year ago. Retailers suffered the steepest upturn—30%—with tolls rising in all trades save food. In construction, the year-to-year climb slackened among general builders but continued at a steep pace among subcontractors.

Casualties edged up during May in seven geographic regions, though they held steady in the Mountain States. There was a decline only in the South Atlantic region, where the Florida toll dipped to its lowest point in three months. Business mortality mounted appreciably in the East North Central States, boosted to a new postwar high by Michigan and Wisconsin. And it rose significantly in the West North Central States, where casualties were heaviest since 1957.

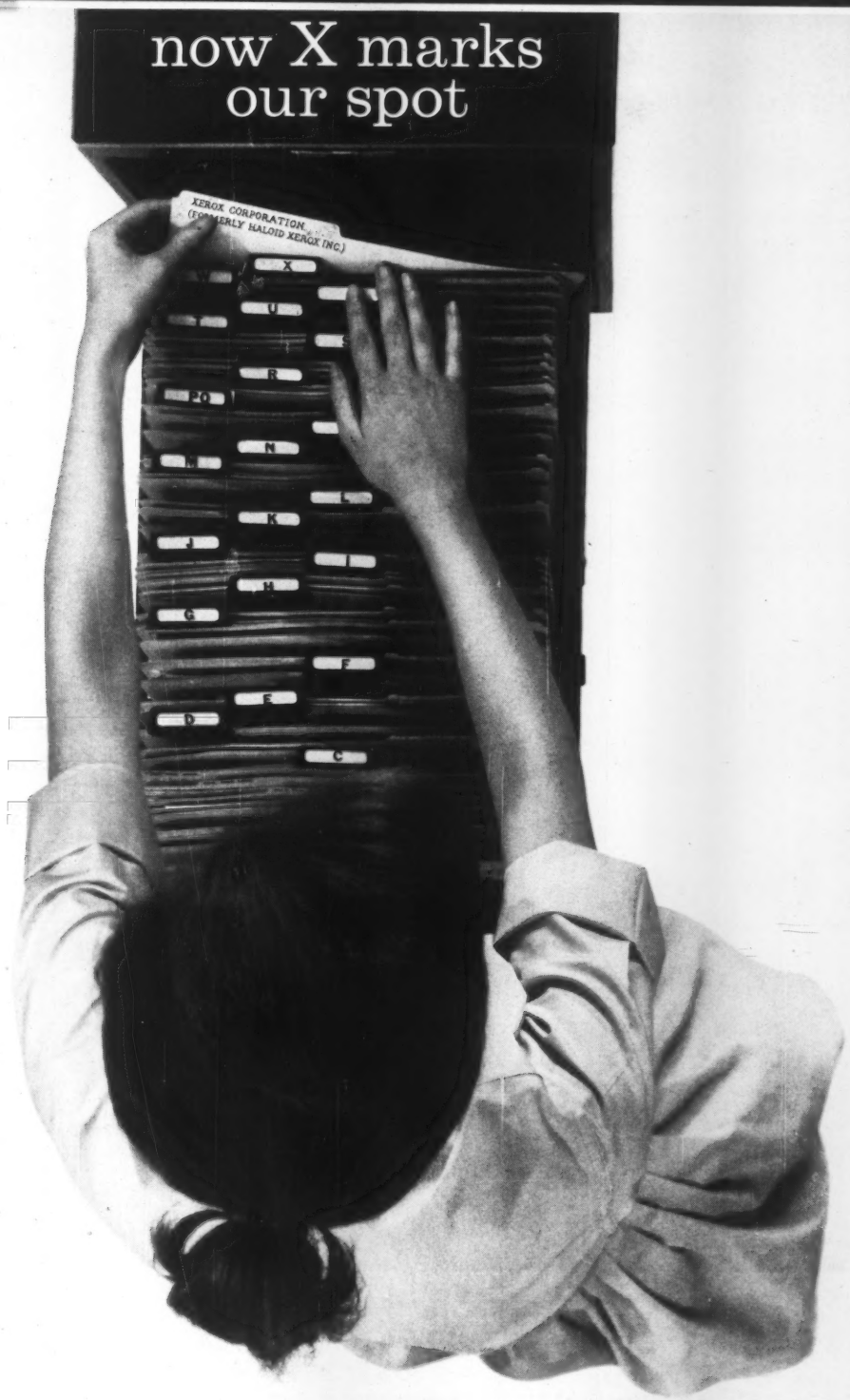
FAILURES BY DIVISION OF INDUSTRY

	Cumulative total		Liabilities in million $ (Five Months)	
	1961	1960	1961	1960
MINING, MANUFACTURING..	1,235	1,074	118.0	107.5
Mining—coal, oil, misc..	41	39	5.2	6.2
Food and kindred products	77	65	11.4	7.1
Textile products, apparel.	221	184	18.8	12.8
Lumber, lumber products.	207	207	15.3	14.3
Paper, printing, publishing	112	79	5.8	3.6
Chemicals, allied products	38	27	2.5	1.9
Leather, leather products.	31	34	2.7	8.1
Stone, clay, glass products.	26	19	1.9	1.4
Iron, steel, products.....	92	73	9.6	9.6
Machinery.....	120	114	12.1	18.2
Transportation equipment	54	50	13.0	6.8
Miscellaneous.....	216	183	19.7	17.7
WHOLESALE TRADE.....	742	627	59.9	43.6
Food and farm products..	140	146	10.4	13.5
Apparel.....	29	20	1.7	1.6
Drygoods.....	14	17	1.5	.8
Lumber, bldg.mats., hdwre	95	86	10.8	5.2
Chemicals and drugs....	21	19	1.0	.7
Motor vehicles, equipment	52	48	2.1	2.5
Miscellaneous.....	391	291	32.4	19.4
RETAIL TRADE.....	3,599	3,041	167.9	82.9
Food and liquor.....	467	427	38.9	10.8
General merchandise....	139	112	9.8	7.7
Apparel and accessories..	482	424	23.8	9.9
Furniture, furnishings...	471	435	24.2	14.4
Lumber, bldg.mats., hdwre	231	191	8.8	5.7
Automotive group.....	655	491	22.8	11.3
Eating, drinking places...	676	566	22.8	14.4
Drug stores.....	82	68	2.5	1.5
Miscellaneous.....	396	327	14.1	7.2
CONSTRUCTION.....	1247	1063	78.7	66.7
General bldg. contractors.	471	406	36.7	33.4
Building subcontractors..	702	588	36.5	28.3
Other contractors.....	74	69	5.6	5.1
COMMERCIAL SERVICE.....	626	568	38.3	26.6
TOTAL UNITED STATES.....	7449	6373	462.8	327.3

Liabilities are rounded to the nearest million. They do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.

now X marks our spot



XEROX
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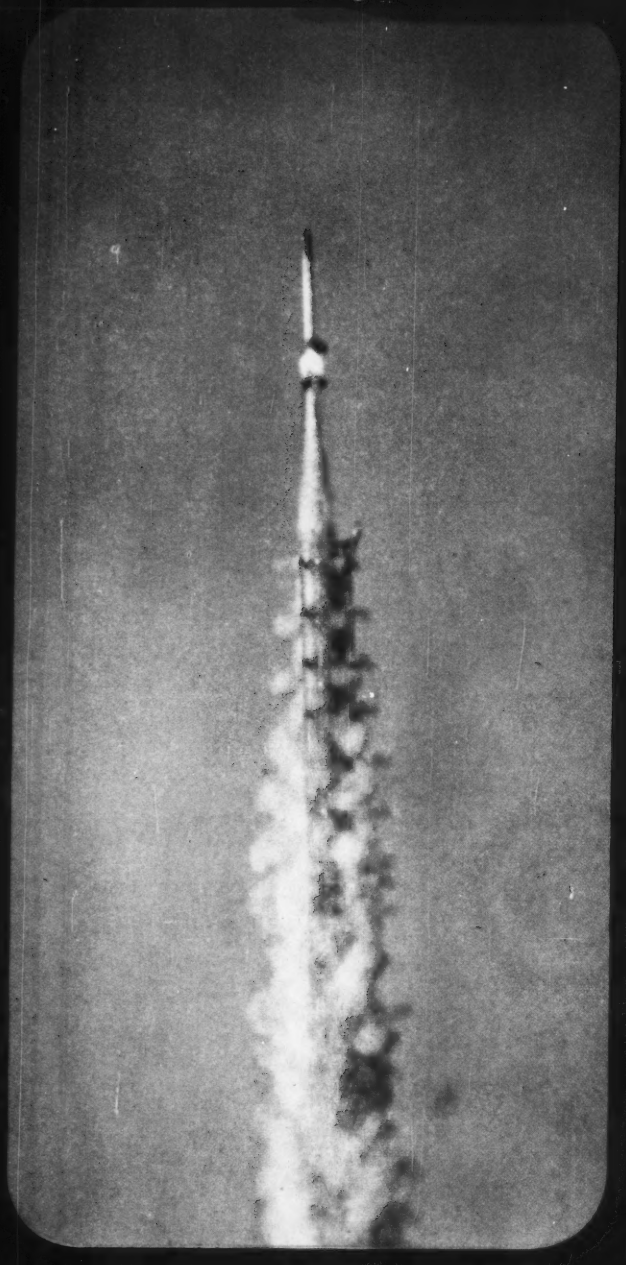
On June 1 the name of our company changed from Haloid Xerox Inc. to XEROX CORPORATION. Therefore, you will want to bring **your** reference files up-to-date. Then, when you're looking for information on office copiers, high-speed continuous printers and other reproduction equipment, you will find it—under "X." ■ Why this curious name "Xerox"? The word is of classic origin and stems from the Greek **xeros,** meaning "dry." And **dry** describes, perhaps as well as one word can, the revolutionary process on which our copiers and printers operate. ■ The initial "X" in all English words of ancient Greek origin is pronounced as a "Z." Hence, Xerox is pronounced **zerox** . . . but here we part company with all things ancient and Greek! ■ For the Xerox in our new corporate name stands for a modern, progressive, research-oriented company which, through exciting new products, is making its mark in the growing field of graphic communications. ■ In meeting the needs of modern business for better ways to record, condense, store, and recall the sheer mass of information, XEROX CORPORATION helps management to manage the future. For more information on our company, write XEROX CORPORATION, 20 Haloid Street, Rochester 3, New York.



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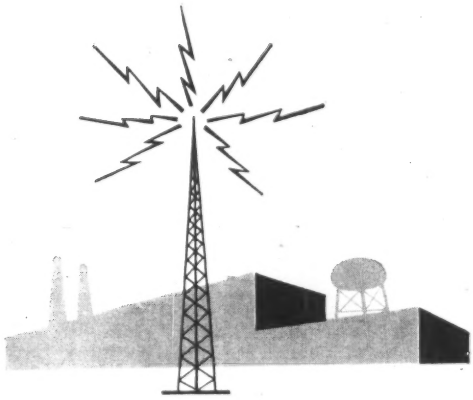

Voice of Industry

The future of television

New investment areas abroad

TV in the Space Age

David Sarnoff, Chairman, Radio Corp. of America, at the University of Detroit Convocation: Regardless of whom it serves, television has become a vital part of the world-wide struggle for the possession of men's minds. In those nations of the Open World where free thought and the right to disagree prevail, it has become a powerful communications anvil upon which men hammer out and temper new ideas and new concepts. In the nations of the Closed World, it has become the most effective means of foreclosing new ideas and insuring doctrinal conformity.

The ultimate victor in this fateful communication contest might soon be resolved, for television is on the threshold of its second and most decisive epoch. Ten years hence—if vigorous foreign growth continues—there will be TV stations in virtually every nation on earth telecasting to some 200 million receivers. An audience of 1 billion people might then be watching the same program at the same time, with simultaneous translation techniques making it understandable to all. In a world where nearly half of the population is illiterate or semiliterate, no other means of mass communication could equal television's reach and impact.

But will freedom to look be thwarted by political restrictions as freedom to listen has been since radio conquered the continental and ocean barriers of distance? It will—unless we begin to plan now some radically new approaches for its use. If global television is to compress the world in the service of free thought, we must use it boldly, and we must not recoil from aiming it against ideological barriers.

The New Entrepreneurs

Henry Ford II, Chairman, Ford Motor Co., to the Southern Research Institute: American industry should cooperate with the Government in a program aimed at making private enterprise competitive with Communism in underdeveloped areas. Because, whether we like it or not, the rest of the world is on a do-it-yourself binge. Africa, Asia and Latin America are going all-out into the industrial age. They not only want automobiles, air conditioners and TV, they want to build their own. If we want to share in those markets, rich and vast as they will some day surely be, if we want to have some influence on how they grow and where they are headed, we are going to have to do so mainly from the inside—their inside.

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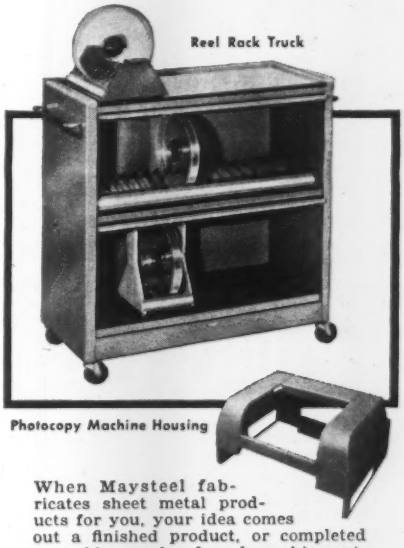

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country a tendency to see only danger where we should see great opportunity, to flee a kind of competition we should be seeking. Investment competition throughout the world is fierce. If we, by tax changes or other means, discourage U.S. enterprises from seeking profitable opportunities abroad, German, French, English and perhaps even Soviet funds will rush to fill the vacuum.

Small Business, Beware

George S. Odiorne, Director, Bureau of Industrial Relations, University of Michigan, to the National Association of Litho Clubs: Why is it that small business is so reluctant to accept modern management methods? Typically, the small businessman stretches his limited capital too far, overextends credit, overloads with slow-moving stock, has no knowledge of the market or competition, does not know principles of good management and wouldn't use them if he did.

The odds are that 350,000 small businesses will go broke this year. Despite this, some 400,000 new ones are likely to get rolling in the course of the year. Each founder will, in all probability, be confident that he can become a Henry Ford or a John D. Rockefeller, starting a corner grocery or a tiny machine shop. Unlike an actor or painter, he does not feel that he needs any special talent or training. Flanked by a "loyal woman," he shouts "Invictus" as he pours his life savings down the rat hole. If he does not have capital, he can always borrow from a bank, friends or the Small Business Administration.

Yet, many small businesses do prosper and grow, because their owners have studied and applied the principles of good management. And it is possible for the average small operator to do so too. The good manager should make things happen, set goals and move his team toward them. He should provide a sound plan of reorganization that will utilize the best efforts of his employees. He should focus on the profit and growth performance of his organization. Above all, he should attract and motivate able people to work for him.

Industry and Medicine

Lowell T. Coggeshall, M.D., Vice President for Medical Affairs, University of Chicago, at Abbott Laboratories Dedication Dinner: In tracing the history of medicine, we find a very slow ascending line, which in the past quarter century seems to have ascended almost vertically. In just my own lifetime, I have experienced an almost completely new conception of the role of the doctor, the pharmacist, the hospital and the research scientist. Today, the American people, and the people of the world, are probably more concerned about their health than any other single issue. The advances of the past two decades have aroused their expectations enormously—yesterday's luxuries have become today's necessities.

If there is a clear response of industry to the current enormous medical research program, it is a necessity for bolstering its own research activities. Neither the Government nor the universities can or should be depended upon to supply all the unique skills and experience needed. Industry, the universities and Government each has a unique and related role to play in providing better health—not only for our people, but the people of the world.

New Economic Thought

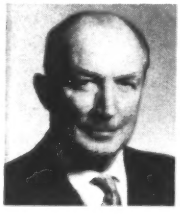
Walter W. Heller, Chairman, the Council of Economic Advisers, at the Loeb Awards Fourth Annual Presentation: A revolution in thinking about economic growth has taken place in recent years. It turns out that there has been a substantial amount of economic growth which cannot be explained by the conventional inputs of land, man-hours of labor, and plant and equipment. It appears that more than half of our increased output since the turn of the century has come from the growth of technological knowledge, the improved quality

of the labor force, and the economics of large-scale production as national and international markets have expanded.

While these are all relatively abstract and invisible sources of economic growth, they all suggest that we would do well to broaden our concept of social "capital" beyond bricks and mortar, to include investment in such insubstantial things as education and training. Since 1900 the stock of education in the American labor force has increased almost ninefold. And while the American tradition does value education for its own sake, we feel fairly certain that the resulting improvement in the quality of the labor force has been one of the major factors in the economic growth of the last half-century.

How to Invest Abroad

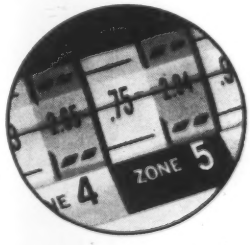
Leo D. Welch, Chairman, Standard Oil Co. (N.J.), at the 79th Annual Shareholders Meeting: Our Government has recently said that foreign investments in general should not be stimulated because they tend to worsen our international balance of payments position and that any encouragement to foreign investment should be limited to investments in undeveloped areas.



We believe this attitude is erroneous, and detrimental to the country as a whole. Our decisions to invest in a given area have not been guided by whether it can be considered developed or undeveloped but rather by the needs and opportunities afforded to the integrated process of finding, producing, refining and marketing crude oil and its products, wherever these opportunities are found.

It is dangerous for our Government to try to arbitrarily channel investments only into undeveloped areas. When we invest in an undeveloped area to produce crude oil, we do so because we simultaneously make investments in refineries and marketing facilities in the advanced countries which are the consuming areas for that crude oil. Without the latter investment, there would be no need for, or prospect of, profit from the investment in crude oil facilities in an undeveloped area. END

New, small parcel post scale computes postage!



The new Pitney-Bowes Model 3740, compact Parcel Post Scale with 40 lb. capacity, saves rate computing, postage errors, mailing time. The right postage for your packages—by surface or air parcel post in all zones—is shown in large, lighted, easily legible rate figures, widely spaced on the chart. Double gunsight lines insure selection of the proper rates, help prevent overpayment or underpayment.

Long-life accuracy has been built into this precision scale through these features: Sealed, pre-lubricated ball bearings keep friction to a minimum, plus special temperature compensating components. And advanced engineering assures exact rate readings regardless of the position of the package on the easy-loading curved platform. The scale action can be slowed or speeded by the operator.

With today's high time and postage costs, the 3740 soon pays its low cost for any parcel mailer. Ask the nearest Pitney-Bowes office to show you the PB line of parcel post and letter scales. Or send for free illustrated literature.

FREE: *Handy desk or wall chart of latest postal rates, with parcel post map and zone finder.*

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Made by the originator of the postage meter . . . 149 offices in U. S. and Canada

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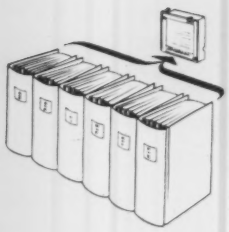

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TRANSLATES COMPUTER LANGUAGE INTO PLAIN ENGLISH!

New RECORDAK DACOM System produces microfilm images of graphic arts quality from the invisible pulses on magnetic tape at speeds up to 20,000 characters per second. That equals or exceeds computer speeds . . . is many times faster than mechanical printers. The information decoded from as many as eight 2,400-ft. reels of magnetic tape fits on one 100-ft. roll of 16mm RECORDAK Microfilm, measuring only 4″ x 4″ x 1″.

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handling problems head on!

New From RECORDAK! Streamlined new equipment . . . incredible new systems . . . entirely new concepts in handling everything from office records to computer tapes.

Even in the brief picture-captions on these pages you will find some (perhaps many) suggestions for more economical handling, storage, and retrieval of the records you use daily. And there's much more to the RECORDAK story!

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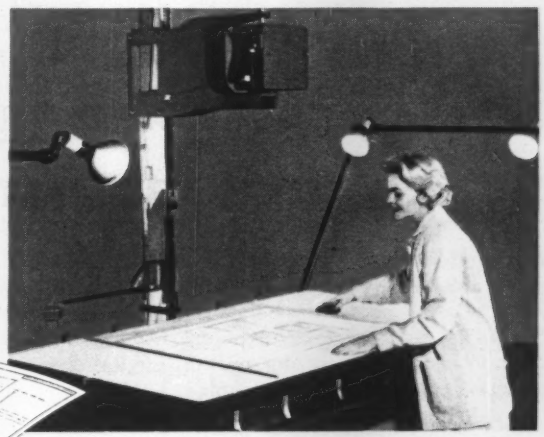

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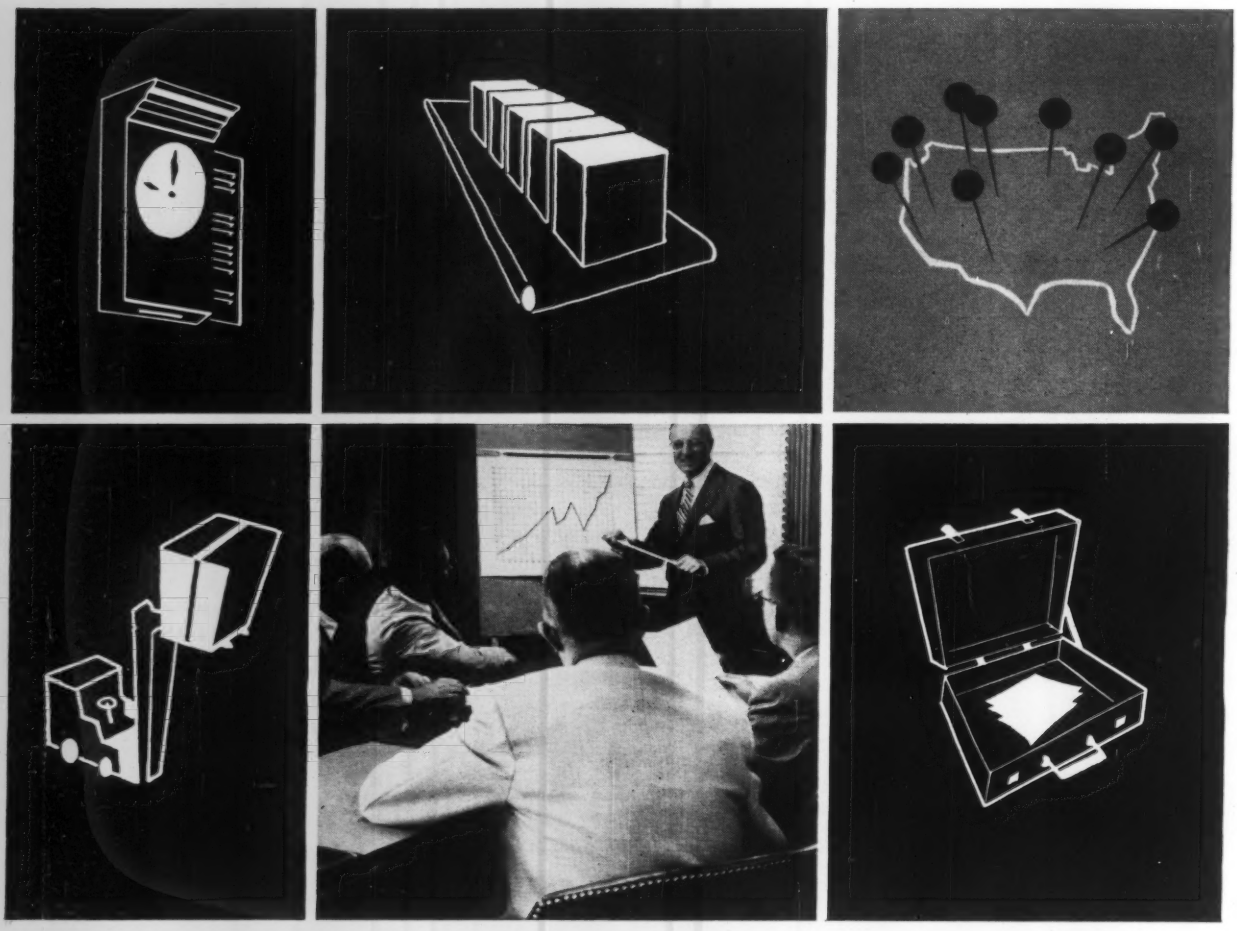

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NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION

DUN'S REVIEW
AND MODERN INDUSTRY
July 1961

EDITORIAL

It's Done with Mirrors

WHEN you expand a zero, you still have nothing. That's about all inflation can promise us in the long run.

Of course, we ought to define what inflation is, and what it is not. A rise in wages or prices is inflationary when it is the result of union featherbedding or marked-up labels on the same old hat, chair or auto. A rise in wages or prices is *not* inflationary if we get more productivity or a better product. When we raise our standard of living with better housing, better transportation or better cultural facilities, we have to pay for it. Our living standard is at a generous level, and our prosperity is based on the ability to buy the good things of life. We could not have prosperity if we were on a mere survival basis. By the same token, prosperity based on productivity is not inflation.

The danger is not in a generous definition of prosperity, but in our willingness to take something for nothing and expect a net gain. A shockingly high percentage of businessmen—particularly retailers—feel that moderate inflation is desirable. They reason that it reduces sales resistance, increases gross profits, helps out concerns with heavy indebtedness and speeds up the collection of receivables.

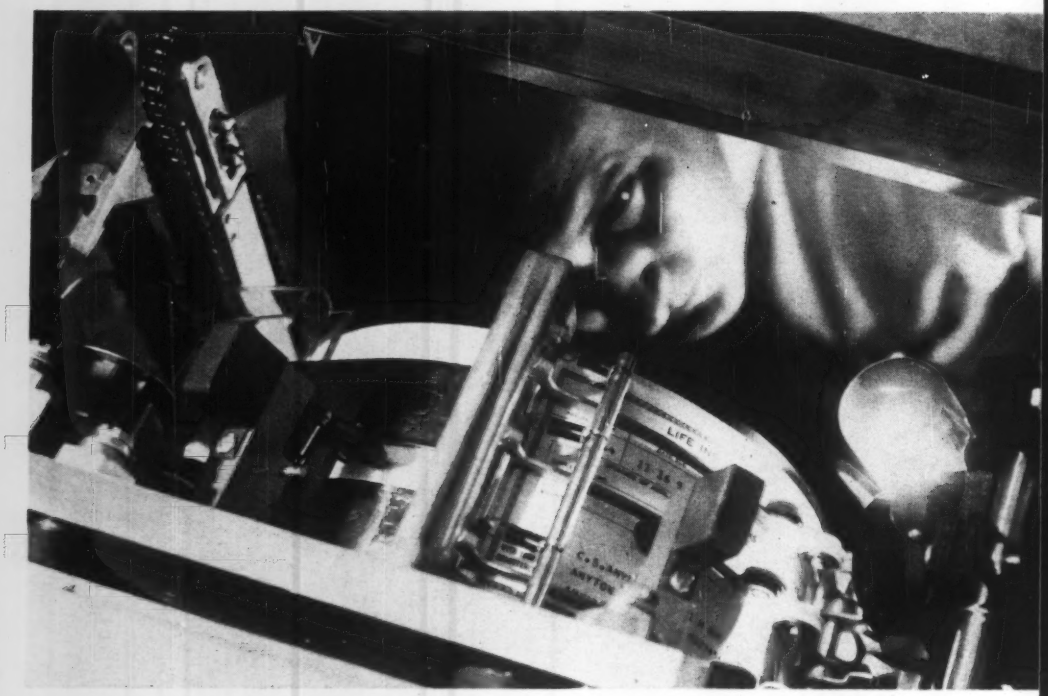
All this is a way of "riding the gravy train." It is an illusion of progress. Inflation is a lazy cover-up for lack of business energy and ingenuity, mediocre sales promotion and wishful thinking. Momentum cannot take the place of management direction. When inflated sales programs run out of steam, mediocre managers suffer, and the old law of the survival of the fittest eliminates hundreds of badly managed firms.

The management progress of any enterprise, from the corner store to the billion-dollar manufacturer, is measured in terms of obstacles overcome and ingenuity displayed under competitive stress. Profits and growth are the rewards of management vision and know-how. The alert manager does not wait for a sales push from an inflationary wind.

Whenever the business cycle takes a dip, the same hard lesson is repeated. Good management meets the challenges of falling sales volume. It finds a way to cut costs and weeds out the deadwood. Manufacturers who are determined to succeed replace inefficient machinery and get back on equal terms with their competitors. Retailers clean out their sluggish inventories, restudy the market and put some zip into the sales people back of the counter.

Any businessman who welcomes inflation is taking a thief into partnership. Sooner or later he will regret it. Inflation is a sedative that softens the healthy warnings against lax selling effort, lower quality standards, obsolescent equipment, poor productivity and complacent top management. Deflation is the brutal realist which sends inventory values crashing, lets the air out of management reputations and turns black ink into red in a few months.

Something from nothing? It has never been done, at least not since the Day of Creation.



Machines That Read

Reading machines are teaching computers their ABC's, sorting sales slips, reading Russian. And industry is already eying the millions of dollars they save.

AMID ALL the clamor over automation on the production line, a deceptively innocuous-looking office machine has quietly been stirring up even more excitement in company headquarters from coast to coast. Though it has roused none of the labor-management acrimony that swirls around the nation's automated factories, the reading machine promises to be just as spectacular in its effects as the fanciest tape-controlled production tool. Lightning-fast, tireless and virtually incapable of error, it reads and records printed material at the astounding speed of 340 characters a second, far faster than the human eye.

Oddly enough, the cause of all the excitement is a device invented only ten years ago and until recently regarded with little enthusiasm by the very manufacturers who stood the most to gain by getting it to market. As a result, only 44 of these revolutionary reading machines are actually at work today. And all are the products of just one little-known company.

The reason for the current furor, though, is obvious enough. Potential customers for the machines—a group that may include, eventually, just about every business grossing over $1 million a year—must consider that it takes at least a year to gear an office to their use. At the same time, that vast market potential has spurred a whole host of manufacturers to move into the field. Already, in fact, there are signs that one of the great marketing races of all time may be getting underway.

Front-runner so far is the smallish (about $3 million annual sales) Farrington Electronics Corp., the only company so far to have actually installed any of the machines. Nevertheless, tiny Rabinow Engineering Co. is hot on its heels. Not far behind is none other than International Business Machines Corp., colossus of the computer makers, whose optical scanner goes into production this fall. Breathing down IBM's neck are Radio Corporation of America, General Electric Co. and National Cash Register Co., each with plans to market a machine of its own within two years or so. And working on prototype reading machines of one kind or another are such other firms as Burroughs Corp., Philco Corp., Remington-Rand Univac, Thompson Ramo Wooldridge Corp., Cummins-Chicago Corp., North American Avi-

ation, Baird-Atomic, American Systems, Drexel Dynamics, A. B. Dick Co., International Telephone & Telegraph and Dashew Business Machines.

Crowded though the field may appear, most manufacturers feel there will be room for all. "It looks like a billion-dollar-a-year business five years from now," says one executive of a big computer maker.

A pioneer in the reading-machine business smiles at his estimate. "Computer manufacturers," says President Jacob Rabinow of Rabinow Engineering, dryly, "have always grossly underestimated the market for their products."

The bottleneck

Actually, the prize the big computer makers are scrambling for is more than just a slice of that mouthwatering billion-dollar pie. Among other things, they are driving to open a bottleneck that so far has kept even the giant computer itself from realizing its full market potential.

That bottleneck: input. Computers "think" only in a special coded language of their own, so there is no way of feeding masses of ordinary typed or printed data directly into them.

"Input is the Number One block to further application of computers in business," agrees Joseph McQueen, vice president of the Alan Wood Steel Co. "Pumping data into them takes specially trained people, precious time and all kinds of accessory equipment."

By eliminating this translation lag, the reading machines will eventually open up many new possibilities for the computer. But businessmen who want to use the machines must watch out for one other pitfall. The new machines read only certain specially designed type faces and balk at ordinary typewriter type. So the company that decides five years hence to convert to machine reading will face a big additional expense in typewriters and accounting machines equipped with special wide-spaced, machine-oriented type fonts and high-quality inking. By starting to acquire these machines now, though, as part of a program of regular office equipment replacement, a company will be able to convert without huge expense.

Teaming up with computers is only one of the many ways the new machines will serve business. And it may not even be the most important. "Computer input is actually the smaller end of this business," maintains Farrington's President William M. Tetrick. "There's a bigger market in making up payrolls, quality control, telegraphy and mail sorting."

Already, several public utilities are using Farrington machines to read and record customers' returned bill stubs. Oil companies have bought them to key-punch charge account numbers into credit sales slips. At least one state—Pennsylvania—will soon put reading machines to work on drivers' licenses and auto registration renewal forms. And such big insurance companies as Aetna Life have machines on order that can record insurance application forms by reading only the filled-in spaces.

So far, of course, Farrington Electronics, Inc., a subsidiary of Farrington Manufacturing Co. of Needham Heights, Mass., is the only firm that has actually sold and installed optical scanners. Currently whittling down its order backlog at a rate of two deliveries a month, Farrington is already planning to expand capacity, build up to a two-a-week clip over the next year.

Rabinow Engineering, as noted earlier, is close on its heels. Some time this summer, a special one-of-a-kind machine made by Rabinow will go to work reading and sorting out waybills for the nationwide Ryder System trucking company.

Meanwhile, giant IBM is busy piling up orders for its 1418 optical scanner ($120,300 and up). It will start delivery in 1962.

Unlike IBM, National Cash Register Co. is concentrating sales efforts for its optical scanner on just one market: the giant retailers. "At the start," says Vice President Robert G. Chollar, "we are going after those markets we know best. We're not going to let anybody edge us out of our Number One spot as equipment suppliers to the retail trade."

Chollar is sure that the scanners will help NCR sell more computers to the retail stores. "One of the big roadblocks to computers in the retail field," he notes, "is the problem of feeding data into the computer from the selling floor. The scanner is the breakthrough we needed."

Even though NCR's customers will have to wait at least a year for their readers, the company will soon be prepared to equip their NCR cash registers and calculators with the special type font they will need.

At the same time, General Electric Co. is pushing ahead on the R&D front. Along with Royal-McBee Corp., it is also subsidizing research in character recognition by Drexel Dynamics Co., Philadelphia. "Ours is an entirely different approach to character reading," says Drexel's President Arthur E. Eillensfeld. "Once we get it to market, it will offer the businessman much greater accuracy at lower cost."

Although Radio Corp. of America has been working on reading machines only since 1957, it plans to have a numerical reader on the market in 1962. And it is even now getting ready to deliver a prototype page

HARD-DRIVING competitors are moving into his once-exclusive market, but Farrington's Tetrick remains confident as ever.

reader, capable of reading both letters and numbers, to *The Reader's Digest*.

Philco Corp., in contrast, last fall won a sizable research contract from the U.S. Post Office to come up with a letter-sorting machine designed to read typed addresses. Such a machine would be a spectacular advance, biting off no less than 60% of the Post Office sorting job. Though Philco's contract still has seventeen months to run, the company already has an experimental machine that can recognize the names of all 50 states, typed in many different fonts.

A dark horse in the reading machine sweepstakes is the 75-year-old Cummins-Chicago Corp., which says it will introduce a simple $25,000 machine this year that will read handwritten numbers. So far, the company has kept the machine under heavy wraps. But if its performance lives up to advance billing, Cummins-Chicago could jump into the big leagues of reading machines makers.

Still another company is hard at work on a device that will turn science-fiction fancy into reality by permitting fully automatic machine translation. On a $600,000 U.S. Air Force contract, little Baird-Atomic Corp., a Cambridge, Mass. instrument maker, has built a special-purpose machine that reads twelve fonts of Russian, feeds into the IBM computer that will do the actual translation.

Baird's President Davis R. Dewey II hopes to bring out a commercial version of the machine in about two years. "Our reader is inherently less expensive than presently available optical scanners," asserts Vice President Lee Powell, "because it doesn't require a complicated 'logic' section."

Just how fast are developments moving in the reading machine field? One indication comes from the fact that the man who founded the industry, David H. Shepard, has resigned from Farrington and formed a new computer-component manufacturing company called Cognitronics. All of his nineteen employees formerly worked for Farrington, and most are currently restricted by their old employment contracts from working on reading machines. Eventually, though, Shepard hopes to come up with some reading approach not covered by existing patents—even those he assigned to Farrington.

Despite the rush to get their first machines to market, though, manufacturers have good reason to be pouring money into R&D. Existing machines, despite their fantastic reading speeds, have serious shortcomings. They are "literate" only in one type font, as mentioned earlier, and manufacturers have not yet been able to agree on a single standard for the industry.

Eventually, however, the industry's R&D investment may be paying off in more versatile reading machines that can handle a variety of fonts, possibly even read handwriting. Actually, multiple-font readers are theoretically possible right now. The stumbling-block: cost. One manufacturer is prepared to build a machine that reads ten fonts interchangeably, but at $400,000 he has not found any takers.

Another problem that industry scientists are working hard to solve is the machines' perverse insistence on letter-perfect copy. Unlike the human eye, a reading machine cannot slow down in order to make out smudgy, sloppy, overlapping, or skewed typing or printing. When a reading machine encounters a single character it cannot recognize, the entire document is popped automatically into a "reject" bin, to be processed manually later on.

This problem is giving pause to at least one giant insurance company which might otherwise be pushing ahead with installation plans. "We've put a low priority on reading machines until their dependability is increased," says John Finelli, a vice president of Metropolitan Life Insurance Co. "But I don't doubt this will happen soon enough."

For all their drawbacks, the machines that read have come a long way from the first experimental model in David Shepard's attic back in 1951. By year's end, at least 67 machines will actually be at work scanning and sorting out data. And manufacturers are already thinking about "blue-sky" applications.

Farrington's Bill Tetrick foresees the day when reading machines will do the work of checkout clerks in stores and supermarkets.

When machines are developed that can read handwriting, IBM's experts predict they will outsell the models that read typed material two-to-one. The reason, of course, is that they would eliminate the need for imprinters, special fonts, and all the other input hardware that current machines require, bringing business back full-circle to the use of the humble pencil. IBM has already demonstrated an experimental machine that reads "controlled" handwriting, but it is admittedly years away from production.

Wary of the drawbacks and the crossfire of claims and counterclaims, many businessmen will undoubtedly wait for the dust to settle before they order. Others, eying the rising tide of paperwork — and manufacturers' years-long waiting lists—will decide they cannot afford the luxury of delay. In either case, the promise of the new machines cannot be ignored.

RCA's President John F. Burns tells why. "For businessmen faced with monstrous paperwork problems," says he, "optical character recognition points the way to streamlined systems, sharply reduced input costs and new standards of accuracy. We're moving fast toward completely electronic data processing."

—MELVIN MANDELL

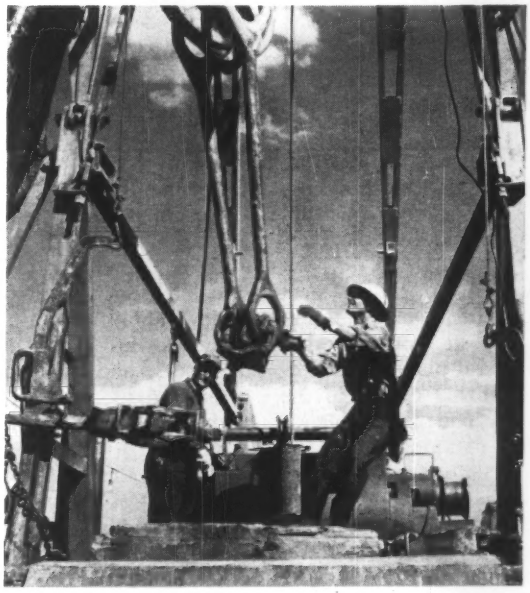
Scanners & Small Business

For at least one small business, reading machines have sparked its entry into a profitable new field. Originally, in fact, New York's New Era Letter Co. bought a scanner to handle the letters it mails for its direct mail customers.

Now, though, New Era is specializing in converting business records into punched cards or punched or magnetic tape for input into a computer. Larger companies have hesitated to handle the task themselves because of the awesome labor involved in having girls key-punch the material. But, New Era, with two electronic scanners, can do the job easily and quickly.

The new business makes good economic sense. "The key," notes Vice President Louis Schweiloch, "is the speed and accuracy of typing and proofreading." The proof: on an investment of $500,000 in two page readers, automatic key punchers and a hundred typewriters, New Era expects to generate no less than $12 million a year in business.

PRESIDENTS' PANEL



As they scan the nation's economy, the leaders of U.S. industry and finance see one grave threat: the indifference to the slow erosion of our competitive system.

Can Free Enterprise Come Back?

"BUSINESS," says President John H. Daniels of the Archer-Daniels-Midland Co., a giant in the agricultural commodity field, "must resell the free enterprise system to America!" That one statement sums up the feelings of the nation's top business leaders when they gauge the present and future of the American economy. To them, one conclusion about the economy has become paramount and inescapable: like it or not, free enterprise has reached the point where it must fight to come back in the nation's economic thinking or it will gradually find itself replaced by welfare statism and big government.

That feeling is almost unanimous among the members of the Presidents' Panel, the DUN'S REVIEW forum of the leaders of the nation's most important manufacturing corporations, its leading transportation systems and its most respected financial institutions. Of the nearly 300 executives on the Panel, in fact, only one feels that the Government will not continue to broaden its role in the economy.

But *can* free enterprise come back? As the panelists admit, business itself is in a difficult position to help it. "There is no discipline in business ranks," laments President George S. Case Jr. of the Lamson and Sessions Co., "such as there is in labor unions, the Communist party or even our own political parties."

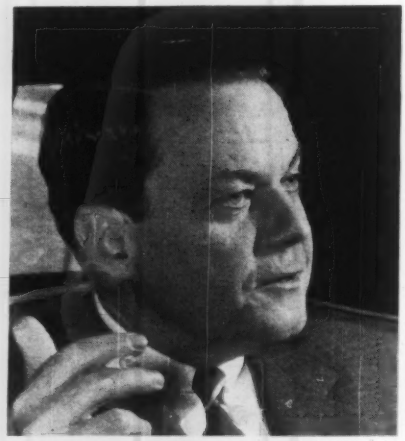
This basic weakness aside, not a few panelists feel that the low state of free enterprise may partially be their fault. Consider the blunt statement of President Joel Hunter of the Crucible Steel Co. of America. "I don't believe," he says, "that government participation in the economy can be stopped. I feel, in fact, that it should be planned for. However, I

feel strongly that business should stop *furnishing pretexts* for the Government to intervene."

Pretexts? J. Peter Grace of W. R. Grace and Co. can furnish one of them. "Business," he argues, "should take the initiative in offering solutions to such politically sensitive problems as unemployment based on automation." Still another, from President George W. Miller of Textron: "Abuses by corporate managers and blatant violations of antitrust laws," he declares, "must be overcome."

The president of a major life insurance company goes a step further. "Whenever possible," he contends, "businessmen should anticipate and meet the needs of the people so as to avoid government encroachment."

Yet even as they consider ways to aid the comeback of free enterprise, the presidents realize that a certain amount of statism inevitably is here to stay. For proof, take the minority position of the panelists on the issue of the Government and its role in the central planning of the economy. True, there are few out-and-out advocates of central planning by Washington. Nevertheless, a surprising number of them agree with the thinking of Herbert L. Barnet, president of Pepsi-Cola. "Under the hemispheric business conditions of today," says Barnet, "central planning is a strong necessity in order for American business to reach its rightful place in world affairs."



DON'T give Washington pretexts to intervene, warns Crucible's Hunter.

CENTRAL PLANNING is a necessity today, observes Barnet of Pepsi-Cola.

The right direction

Some panelists go even further. President Harleston R. Wood of the Alan Wood Steel Co., for example, argues that the economy could use even more central planning. "I believe," he adds, "that the Kennedy Administration is headed in the right direction."

But even those panelists who argue the need for central planning note that that brings up still other problems.

As President Edwin L. Parker of A. G. Spalding & Bros. sees it, central planning poses problems of degree rather than principle. "Unfortunately," he says, "we can't keep the loose ends together without a lot of central planning. How much, and how to draw the line is the problem."

The panelists offer several yardsticks, such as limiting central planning to strictly non-controversial areas such as harbors and rivers, or to those areas which private industry will not enter, such as road building, sewer installation, school construction, water projects and medical research.

The president of a leading steel company speaks for a broad group of panelists when he notes another likely area. "Federal planning is necessary as a stabilizing device in the field of monetary and fiscal policy," says he. "Other planning should be oriented toward enforcing the 'rules of the game' in our competitive, free enterprise economy."

For all their defense of central planning, it should be noted, most of the panelists are quick to point out that there are broad areas of industry today where government regulation has indeed become oppressive. To one such executive, in fact, the Government has overextended itself in many directions. Other panelists simply point to their own situations for evidence of overregulation. Says President Alfred E. Perlman of the New York Central Railroad: "My own industry—railroading—is perhaps the most cogent example of an American industry that has been economically hurt by overregulation."

And most of these business leaders agree, for transportation is placed by them in the front rank of industries blighted by government controls. Among the others: agriculture, utilities, gas and oil, communications and broadcasting, and drug and tobacco.

But of all forms of government regulation, it is the antitrust laws which really draw the fire of the business leaders. Consider the typical indictment posed by President O. William Carpenter of the Chain Belt Co. Government policy, says he, is characterized by "witch hunting, second guessing, spanking industry for political reasons, capricious changes in policy, unfairness in applying regulations toward capital, labor and management, and 'Sword-of-Damocles' threats to reopen cases at any time without restraint by a statute of limitations."

Nor is that the executives' only indictment of the antitrust laws. President Joseph T. Simpson of Harsco Corp., for example, condemns as "schizophrenic" the fact that "all government controls and restrictions point toward larger and more efficient organizations. Yet the Government has been blocking that very path for industry."

Not only blocking it, add other panelists, but opposing it with an unreasoning dislike. Says President Charles M. Beeghly of Jones & Laughlin Steel Corp.: "There's no mandate in the Constitution for the Government to oppose 'bigness.' It is only what 'bigness' does that merits support or opposition of the Government."

Actions, not size

Beeghly's second sentence underscores prevailing sentiment that the Government should examine what it is really doing when it attacks bigness. "The important point," says one president, "is whether the firms in question have used their size to exercise monopolistic control in their area of operations. If they haven't, why abuse them?"

In any examination of the Ameri-

DRAWING the "planning line" is the problem, says Parker of A. G. Spalding.

BUSINESS must resell free enterprise here in the U.S., says John Daniels.

can economy today, of course, one question must inevitably arise: How does America stack up against Russia? Time and again Russia's rulers have trumpeted to the world their assertion that the Soviet is growing faster economically than the U.S. And, in truth, Russia has been able to show startling gains in many of its basic industries.

But the Americans who are best suited to gauge this race, the leaders of business and industry, do not feel that Russia is winning the race. In fact, by an overwhelming margin of nearly three-to-one they insist that the U.S. is winning.

Perhaps it is because they approach the subject from a more knowledgeable point of view than the average citizen. Listen to Alan Wood's Harleston R. Wood, who ably differentiates between the two economies: "The U.S. and the USSR are in different stages of development. Their problem is one of production. We have solved that one, and can produce more than we can consume. Our major problems are those of equitable distribution of production, of reducing the severity and frequency of the business cycle and of handling displaced labor. The Russians will face these problems in a major way only after they have solved their production problems."

It is when they come to examine another aspect of the American economy, however, that the business leaders show a truly marked departure from the past. That is in the place of tariffs in the economy. Though many business leaders have been calling increasingly for protection as international trade has become more competitive, no less than four out of every seven of the DUN'S REVIEW panelists are firmly opposed to them.

Burroughs Corp.'s President Ray R. Eppert is one of the antiprotectionist group. "They actually do not 'protect' domestic industry in the long run," he argues. "Rather, they become just another government restriction on free enterprise."

President Grant Simmons Jr. of Simmons Co. agrees. "Tariffs," he argues, "are to friends as guns are to enemies." Adds Chairman Fred C. Foy of Koppers Co.: "We should get exactly what we give, tariff-wise, quota-wise and money-wise, free of all restraints."

The dissenters speak out

Still, a solid third of the Panel does not agree with this view. Their opinion is best expressed by President Samuel F. Hinkle of Hershey Chocolate Corp.: "While it is contrary to basic thinking, high tariffs are sometimes necessary to give domestic industry a fair, competitive chance to survive." Adds another panelist: "With wages abroad 10% to 40% of ours, there is no alternative to raising tariffs."

Going a step further, the president of a large manufacturing company complains that "the U.S. forces prices up via minimum wages and Federal Trade Commission regulations, yet opens the country's markets to the flood of foreign products against which it is impossible to compete."

The role of the Government in setting up tariff barriers, however, raises another question. That is the often-leveled criticism that industry often welcomes government aid in the form of tariffs, subsidies, loans and grants, but vigorously opposes other programs such as financial assistance to the unemployed, the aged and other groups as welfare statism.

Is the criticism well founded? Panelists split exactly 50–50 on this point. The president of one large chemical company, for example, believes it is. "When we write to Washington," he says, "it is often in opposition to welfare statism. Yet when we are in touch with our Congressmen, we use the opportunity to boost the subsidy on our particular products, or get a defense contract, low-cost loan, research contract or some other form of government subsidy. We cannot effectively talk out of both sides of our mouth."

President M. Holley Jr. of Holley Carburetor Co. takes vigorous exception. "Subsidies and loans have strings attached. They aren't just handouts," he notes. "But the welfare state teaches a fundamental wrong—that people are *entitled* to benefits!"

President Hugo Riemer of U.S. Borax & Chemical Corp. attacks both welfare and business subsidies. "Both types of government meddling," he says, "are welfare statism. Tampering with the economy at one point comes near to requiring adjustment at another. Regimentation grows by feeding on itself."

Few panelists accept this view completely. Many feel neither business nor the individual should be deprived of *necessary* aid. But the dilemma is sharpened when a line must be drawn.

A possible solution is offered by Equitable Life Assurance President James F. Oates Jr., who urges the gradual elimination of "all subsidies to business except where vital to national defense or to the maintenance of minimum financial assistance to the unemployed and needy aged. The basic criteria," adds Oates, "should be that such aid would not deprive the individual of incentive."

Such a formula may not restore free enterprise to the laissez-faire days of Adam Smith, but it would go a long way toward pumping vigor back into a system whose future even America's business leaders view apprehensively. —J.J.F.

Members of the Panel are listed on page 88.

At best, preparing it is a thorny task—and 1961's version may be the hardest yet.

The Dilemma of the Annual Report

THE LAST ticklish question had been answered, the last box lunch consumed, and the last stockholder long since departed for another year. Yet to U.S. management, still recovering from a rougher-than-usual round of annual meetings, there seemed to be hardly a breathing space. The time was at hand to prepare for an even more arduous task. Already, the long shadow of preparing for the 1961 annual report was beginning to creep across the well-carpeted floors of the nation's executive suites.

For many companies, the work of preparing the 1961 annual report is fairly well along even now. By next month, most companies will have the over-all concept of the report decided on, its covers will have been designed and the first charts blocked out.

Never an easy task, preparing the annual report will be particularly difficult in 1961. In fact, most corporate managements now find themselves facing a dilemma of no mean proportions. The recession remains uppermost in the minds of management and stockholders alike. Stockowners remember how management had to right itself in 1960 by slashing costs vigorously. Management, equally well

aware of that fact, is keeping a close eye on expenditures during this comeback year, particularly in the advertising and public relations budgets.

There lies the dilemma. Should the annual report for 1961 be the lavish job of recent years, guaranteed to impress stockholders and perhaps sell some of the company's products? Or should it be an austerity model, one which will show stockholders, as well as the unions and price-conscious customers, that management still is keeping a sharp eye on costs?

Pondering the alternatives, more than one top executive could easily share the feeling of Charles J. Beasley, financial vice president of the Metal & Thermit Corp. "Although I've worked on many annual reports," grins Beasley, "I still sweat over the next one."

No trend to austerity

But even as the nation's 6,000 publicly held companies were deciding how best to present the annual corporate news to their 15 million stockholders, one trend seemed clear. For all the emphasis on keeping down costs, most 1961 reports will remain as glossy and highly colored as in former years. There, though, the line will hold. Annual reports have reached their peak, most companies feel, and few of them plan to bring out a publication more lavish than they have already printed.

As management sees it, that will both satisfy stockholders and preserve the corporate image. "This year," explains one top executive, "we thought everybody would come out with a very subdued report because of the recession. When they didn't, that was the tip-off. If 1960 didn't do it, reports will remain just as lavish in the 1961 model year."

But though the four-color spreads are remaining, one distinctly new trend does appear to be shaping up. More than ever before, management probably will speak its mind on the major economic and political issues of the day in the 1961 report. In the past, of course, the chief executive's message generally was restricted to a bare review of sales, earnings and the general course of the year, with perhaps a few hopeful words on the future thrown in.

Now, though, management feels that it is inextricably tied in with Washington legislation, foreign affairs and similar subjects heretofore alien in annual reports. With that in mind, business is becoming emboldened to speak out. In fact, some companies already have. Scott Paper's President Thomas B. McCabe, for instance, used the 1960 annual report to criticize irresponsible union leadership and to call for restraint on the Administration's part in dealing with the recession. Similarly, President Monroe J. Rathbone roamed so far afield in the Standard Oil Co. (New Jersey) 1960 annual report as to point out the importance to the nation of business investments abroad.

Will stockholders object? If anything, it would seem that they applaud such efforts. General Electric, for example, a few years ago conducted a survey among its stockholders on the desirability of the company speaking out on public affairs in general. Not only did stockholders feel management should speak out on legislation affecting the company, they also believed it should make its position known on the broad, general issues of the day.

At the same time, management is not overlooking that part of the annual report which stockholders supposedly often skip: the long lists of figures on sales, earnings, dividends, assets and other categories which show a company's growth record over a five-, ten- or fifteen-year period. Surveys taken by various companies show that these assertedly dry tables rate a surprisingly high degree of readership among their stockholders.

There is particular reason to stress them in the 1961 reports. The financial pages of the newspapers have been playing up stories that broad segments of industry have stopped growing. So individual corporate management has become increasingly anxious to point out its own "growth" status to its stockholders. Most companies, in fact, probably will devote two pages in their reports to an historical summary, rather than one. When GE used that strategy, it increased the readership of its 15-year summary by no less than 70%.

Facts for the finance-minded

In another trend, more companies now are putting out second sections of the annual report in which their financial records are detailed. Among them are such large companies as Bristol-Myers, Radio Corp. of America, General Telephone, General Dynamics and Clevite. At least one prominent Wall Streeter feels this is a move which is long overdue (*see box*).

But whether they are in one or two parts, what about costs in the 1961 annual reports? The expense of producing even a comparatively simple report has risen sharply. Currently, the cost is believed to range anywhere from seven cents for the comparatively few companies which give a bald recital of facts and figures to as high as $3.45 a copy. The average probably runs to about 50 cents a copy, with one company in ten spending $1 or more. For a company with 35,000 stockholders, however, a number which is by no means extraordinary, even a 50-cent annual report adds up to a hefty sum on the earnings report.

In part, of course, the higher costs of annual reports stem from management itself. Many companies in recent years have worked overtime to lengthen their stockholder lists. Over the past five years, for example, Texaco has increased its stockholders by 20% to more than 146,000. The International Business Machines Corp. has bulled its own lists from 26,000

Wall Street's View

What do the professional readers of annual reports, the security analysts of Wall Street, think of them? Lawrence Kahn of A. G. Becker & Co., a former president of the New York Society of Security Analysts, has read countless thousands of them during his long career on The Street. His conclusion: management needs to make many changes in its current crop of reports.

"Annual reports," says Kahn bluntly, "are betwixt and between. They're too long, too complex, and contain too much sales promotion material. I think it's legitimate to attempt to sell stockholders on the company's products, but not to the current extent.

"I'd like to see more reports written in simpler language with simpler charts," Kahn goes on. "The details could be put in a separate report for financial analysts. This would cut costs too."

to almost 152,000, and American Telephone & Telegraph Corp. has gone from 1.4 million to 1.9 million, to set a record among all corporations today.

Yet these stockholder rolls, as impressive in size as they are, only add up to still another cost. The more stockholders, the more annual reports. As a result, the nation's publicly held corporations are turning to a variety of devices to hold down annual report costs. At General Telephone & Electronics Corp., for example, Chairman Donald C. Power called for competitive bidding on the annual report for the first time last year. "As a result," says Power, "we saved $15,000 over the previous year's costs."

Other companies are employing a two-for-one strategy. As one example, Jonathan Logan used the same expensive, four-color photograph on the cover of its 1960 report that appeared in the company's magazine advertising. In a switch on that method, Philip Morris scheduled a heavy overrun of a four-page color insert in its report and later bound it into a plant guide handed out to visitors at its three cigarette factories.

For all the emphasis on lowering even the smallest cost, comparatively few companies have turned to using third class mail. This attitude is understandable in an era when such business expenses are fully tax deductible. Too, most companies feel the comparatively minor saving is not worth the risk of offending a stockholder through late delivery.

Not surprisingly, a broad list of companies ranging from the largest to the smallest have not overlooked the merchandising possibilities of the annual report. Safeway Stores, for one, mails its reports out without an envelope. Aside from the minor economy involved, Safeway reasons that its corporate name thus becomes impressed on everyone who handles the report. This trend, which was first noted in 1959, has been growing stronger ever since.

The Safeway method, it must be noted, is not without risk. Many companies have tried it in the past, only to receive a flood of complaints from stockholders. "Many stockholders," explains one corporate secretary, "do not want their landlady, postman or neighbors to know that they hold stock, or in what company."

The opportunity to merchandise either their wares or themselves, however, is being taken in other ways. Massive (total assets: $900 million) Eastman Kodak Co. has long adorned its reports with magnificent color photos, and this year invited its stockholders to send in for copies "suitable for framing." Another company, Masonite Corp., embossed its report with inch-long samples of the textures of its latest decorative wall samples.

MULTIPLE PURPOSES of the report are stressed by Borden's Harold Comfort.

In addition, companies often use annual reports to introduce new products to their stockholders. American Can Co., for example, mailed its 1959 report to its 111,000 shareholders in a new cylindrical biscuit-dough container made of fiberboard with metal ends.

One reason why management takes these steps, of course, is that it can reach an audience which has been increasing by impressive proportions with every passing year. The Borden Co., for example, bombards suppliers, important customers, heads of farm and civic organizations, college economics classes and libraries, plus every one of its 33,000 employees and 50,000 stockholders.

The all-time high in distribution, of course, was that reached in 1956 by Chas. Pfizer & Co. Not content with blanketing stockholders, customers, suppliers, and the financial community with the saga of the year's accomplishments, the big Brooklyn, New York drugmaker had its report printed as a Sunday supplement in *The New York Times,* the *Chicago Tribune* and the *Los Angeles Times.* The total audience: 3.5 million people. The following year, Pfizer hired best-selling author John Gunther to write its report, again had it distributed with the Sunday *New York Times.* But after one more year it went back to conventional distribution. Explains a Pfizer executive: "We felt the novelty had worn off."

The justifications for wide distribution of the annual report, however, are obvious. "The annual report today is more than a legal document," notes Borden's President Harold W. Comfort. "It's a means of friendly communication with stockholders, an informative booklet for employees, a catalog of company products, a fact sheet for the business press, a community relations tool, a text book for business classes, a good-will builder among suppliers and important customers and a manual for salesmen."

No matter what form it takes, though, there still remains one major requirement in a good annual report. "In the final analysis," says Vice President Adam Rathgeber of American Hardware Corp., "the slickest, most elaborate annual report in the world isn't one bit better than the story its figures tell." —M.M.

NO LESS than 15,000 General Telephone stockholders who got the regular report (left) sent in for a copy of the company's statistical summary (right).

Giant of the Common Market, with its fastest-growing and most productive economy, West Germany has become a mecca for U.S. marketers.

Miracle Market on the Rhine

AMONG the visitors to Chicago's bustling Machine Tool Exposition last autumn was a courtly, keen-eyed businessman whose origins were more obvious from his saber-scarred temples than from his precise, deliberate English. For all his unassuming manner, few American businessmen at the show were unaware of Otto Hoehne. As the production manager of Volkswagenwerk AG, Germany's biggest manufacturing company and the fourth largest automaker in the world, Hoehne right now has no less than $1 million worth of the latest American machine tools on order from U.S. producers.

And when American businessmen visit Volkswagen's giant (11 million square feet) main plant at Wolfsburg, Germany, Hoehne is happy to show them American machines working sixteen hours a day spawning 3,400 of Volkswagen's famed, beetle-shaped cars. One after another, Hoehne points them out: Danly and Clearing presses, Gleason gear-cutting equipment, Bullard automatic turret lathes, Gisholt superfinishing equipment, Norton grinding machines, Schweitzer lacquer-spraying equipment.

"Look at our sheet metal processing," he says proudly. "All our equipment here comes from McKay Machine Co. in Youngstown, Ohio. We were the first company in Germany to import these machines. Now all Europe is using them."

These days, Volkswagen is not the only big German customer for American-made goods. From the throbbing industrial heartland of the Ruhr to the bustling cities of Bavaria, American machines and American equipment are busy swelling the veritable torrent of consumer goods pouring from Germany's factories into the nation's parched consumer markets.

Back of it all, of course, is the *Wirtschaftswunder*, the postwar "economic miracle" wrought by the shrewd economic policies of Chancellor Konrad Adenauer and his economic minister, tough, astute Ludwig Erhard. And that, in turn, has brought about a demand for outside capital and goods that has made Germany literally a miracle market for American businessmen.

The end, moreover, is nowhere in sight. German gross national product, up at an average of better than 7% yearly since 1951 (U.S. rate: 2.6%), topped $65 billion last year, second only to the U.S. among the nations of the free world.

Raw material output continues to soar. Working at 100% of capacity, German steelmakers last year turned

out 34 million tons of raw steel—27% of total European output. Meanwhile, German oilmen produced almost 40 million barrels of crude oil, and German mines—mostly in the coal-rich Ruhr valley—turned out 142 million tons of anthracite.

For all that wealth of raw materials, many German manufacturers are hard put to fill the demand for their finished products. So vigorous has been the nation's economic comeback, in fact, that German capital equipment makers are still unable to keep up with their own orders. The result is a made-to-order marketing opportunity for U.S. industrial equipment producers.

Only this spring, the lure of that opportunity brought no less a U.S. marketer than Commerce Secretary Luther H. Hodges to the ancient North German city of Hanover, site of the mammoth German Industries Fair. Hodges' presence at the Fair's North America Day ceremonies was no mere good-will gesture. He and more than 100 U.S. exhibitors had come for the more tangible prize of a fatter slice of the thriving West German capital equipment market.

Comeback of the consumers

Makers of industrial equipment, though, are not the only U.S. businessmen currently cashing in on the miracle markets on the Rhine. The hum and bustle of Germany's well-stocked shops, the flood of shiny new Volkswagens and Mercedes limousines choking the cobblestone streets of its Gothic towns, the throngs of smartly dressed shoppers and the gleaming modern office buildings all spell out an unmistakable message. After more than a decade of austerity in the middle of postwar Europe's biggest industrial success story, West Germany's 55 million consumers are coming into their own. Studying the figures that prove it (retail sales of $20 million last year, wages up by more than 10%, auto production pushing 1.7 million annually), a growing number of U.S. companies are even now moving in on the West German consumer market.

Since the revaluation of the deutsche mark last March, those markets now have an even brighter luster. The move, of course, was not an unexpected one. For Germany's spectacular economic performance in the years since 1948 had established the deutsche mark as the strongest currency in Europe, brought American dollars and British pounds sterling flocking to the Bundesbank in Frankfurt like homing pigeons to an industrial roost.

International politics aside, just what does revaluation mean to the American businessman? E. W. Zdunek, president of the American Chamber of Commerce in West Germany, sums it up. "It is an invitation to the world's producers," says he, "to send more goods to Germany—and a mild notice to investors that Germany is not now seeking foreign capital."

For all practical purposes, that notice is mild indeed. It would take more than a 5% revaluation of the deutsche mark to choke off the inflow of foreign capital or dampen the enthusiasm of West Germany's principal foreign shareholder, the U.S. businessman. To date, American investors have underwritten the *Wirtschaftswunder* to the tune of some $1 billion, and Germany is slated to receive no less than half of the $580 million U.S. companies are expected to sink into the Common Market this year.

That money is still pouring in. Just last year, for example, Ford Motor Co.'s German subsidiary expanded production at its Cologne plant by a whopping 41%. No newcomer to the German business scene (it was established by Henry Ford himself in 1930, when Cologne's mayor was a vigorous middle-aged politician named Konrad Adenauer), Ford-Werke AG is accustomed to ploughing back profits for expansion, and seeing its policy pay off.

Ford is not alone. At Frankfurt, unofficial U.S. business capital of Germany, Remington Rand GmbH, a subsidiary of Sperry Rand Corp., is planning to begin production of UNIVAC computers to help ease the growing paperwork burden of German businesses. Meanwhile, Rem Rand's competitor, IBM Deutschland, biggest foreign subsidiary of International Business Machines World Trade Corp., is installing a number of its giant 7070 computers in German companies.

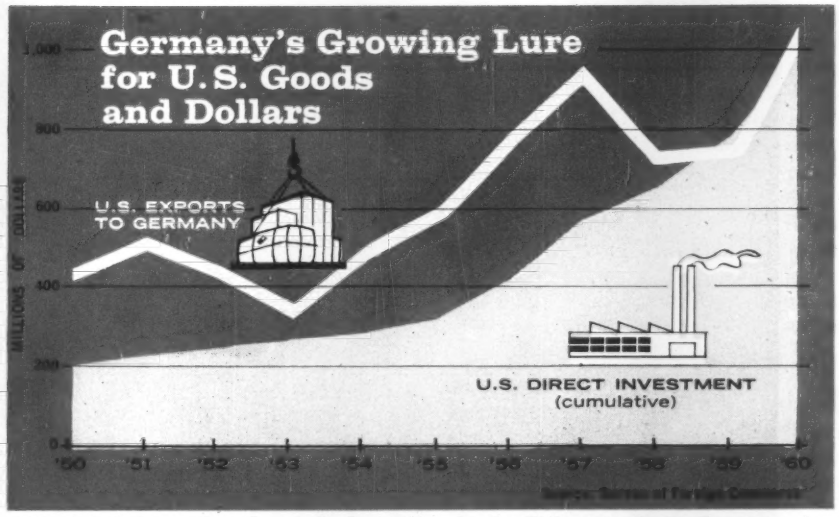
Not that investment in new plants has been lagging. In just one recent eighteen-month period, U.S. firms established 75 new manufacturing and processing plants in West Germany, plus 106 branches for distribution or servicing operations.

Not long ago, American Machine & Foundry Corp. established a German marketing outlet subsidiary in Frankfurt. Unlike some of his fellow U.S. businessmen, AMF's cautious Chairman Morehead Patterson spent no less than two years studying the ins and outs of the German business scene before making his move. AMF's new facility will distribute bakery and tobacco processing machinery as well as automatic pinspotters for alleys catering to Germany's fast-growing army of bowlers.

Meanwhile, American companies have been flocking to set up offices in Frankfurt at a rate better than one a fortnight. Procter & Gamble, for example, has been negotiating for land to establish a big (300 workers), heavily automated subsidiary.

And farther north, at a brand-new plant at Hilden near Düsseldorf, Minnesota Mining & Manufacturing Co. has started turning out coated abrasives, adhesives and pressure-sensitive tapes. The new plant, 3M's sec-

VOLKSWAGEN'S top production man, Otto Hoehne, stresses the vital role of American equipment in turning out West Germany's leading export product.



SPURRED by growing demand, dramatic rise in U.S. exports to Germany is taking place against a background of steadily mounting direct investment.

ond factory in Germany, will employ 2,000 workers by 1966.

The squeeze on labor

Yet for all the attractions of Germany's markets, U.S. manufacturers are finding it harder and harder to set up shop. "The day is near," says Harold Swenson, manager of First National City Bank's Frankfurt subsidiary, "when you'll have to marry a German company to enter the West German market."

The reason lies in Germany's acute labor shortage. Just how severe that shortage is can be judged from the fact that for every job seeker in the *Bundesrepublik* today there are no less than five job openings. Despite an imported labor pool of 350,000 and a steady influx of 20,000 refugees each month from behind the Iron Curtain, this scarcity of labor remains the major hurdle to be cleared by any new enterprise. Many a growth-minded German manufacturer, in fact, has found only one way to expand: buying up another firm in an unrelated field, taking over its workforce and embarking on a costly and extensive retraining program. "Whether you are expanding or setting up new facilities," says one Cologne businessman, "you had better have your eye on a labor force from the start."

Experienced U.S. investors agree. In recent months, more and more American companies have been buying into German firms to obtain that all-important labor force.

At Marl, in the northern Ruhr, Tennessee Eastman Co., an Eastman Kodak Corp. division, has joined with Chemische Werke Huels AG to build a new plant that by 1963 will be spinning out polyester fibers at a clip of 6,000 tons a year. Not far off, in the humming industrial center of Darmstadt, Philadelphia's Smith Kline & French Laboratories and Germany's Roehm und Haas GmbH have set up a new marketing subsidiary.

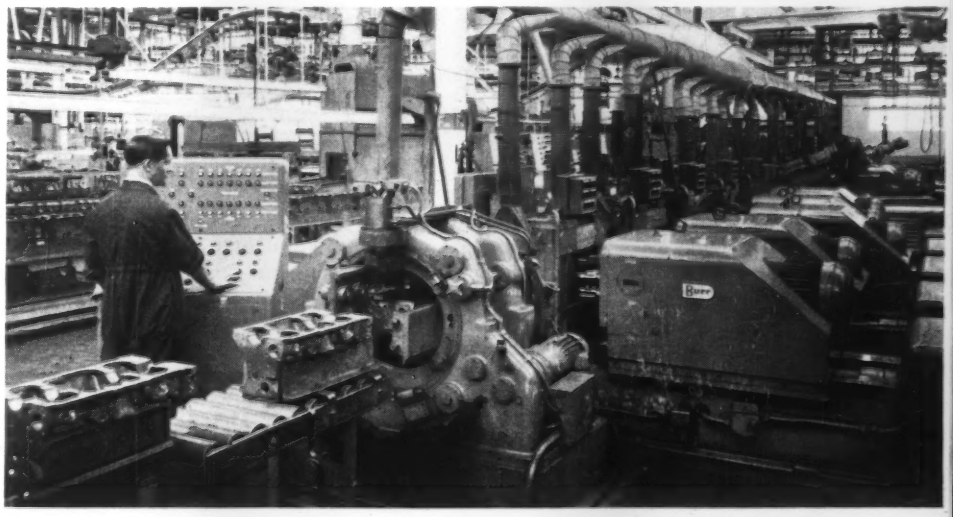
Troublesome though it is for U.S. producers in Germany, that persisting labor pinch has its bright side for many a manufacturer here at home. As growing consumer demand tightens the manpower vise on German industry, massive computers are moving in to handle the paperwork, and gleaming automatic equipment is filling the gaps on German production lines. The result is a spectacular increase in imports of American machinery. Last year, in fact, those imports soared by 56%, outstripping sales of German machine makers in the U.S. for the first time in ten years.

But are American businessmen taking full advantage of the miracle market on the Rhine? No German industrialist has studied their performance more carefully than Volkswagen's President Heinz Nordhoff. As Germany's Number One exporter, moreover, he is a canny judge of marketing. And he makes no secret of his conviction that American marketers are not cultivating the German industrial market vigorously enough.

"You see what we are doing here with automation," he says. "This kind of thing is not confined to Volkswagen. It is going on all over Germany, and the pace of our automation will be just as fast as your own."

Nordhoff's face wears its habitual diffident smile, but his tone is earnest. "American equipment producers have a tremendous marketing opportunity here in Germany, but they need to sell harder—a lot harder."

Nordhoff is not alone in this judgment. Returning from Germany just two months ago, U.S. Commerce Secretary Hodges brought back a message that U.S. industrial marketers would do well to ponder. "American producers," said Hodges bluntly, "have barely scratched the surface of the marketing opportunities that are waiting for them in Western Germany." —ROLAND MANN



SPREADING German automation, typified by transfer equipment at Adam Opel AG, a General Motors subsidiary, means new markets for American producers.

Bred of business tensions, premature aging is an insidious executive crippler—and there is one sure way to spot it:

HIDDEN SYMPTOMS of aging often turn up in routine examinations.

Is Your Memory Playing Tricks?

DOES YOUR MEMORY sometimes seem to be playing tricks? Nearly every executive has felt this at one time or another. And every executive over fifty, safe to say, has felt a small chill of apprehension at witnessing a colleague's memory lapse and hearing someone comment later, "Poor So-and-so. He's losing his grip."

If you are plagued by such lapses, you may well have wondered whether the tensions of business are aging you before your time. In all likelihood, others are asking the same question. For memory fadeout is one of the commonest signs of premature aging and weakening of the "executive grip."

Just how common is it? Physicians at Executive Health Examiners, who see close to 10,000 management men a year, have a startling answer. Listen to Dr. Richard C. Winter, the clinic's director: "We estimate that memory lapses and absentmindedness, sometimes in serious form, affect one out of four of the executives we see in the older age groups. But only one in twenty will admit to it."

Fading memory, of course, is not the only ominous symptom of this kind encountered by Dr. Winter's clinic and others like it. Difficulty in grasping new ideas, diminished vigor, and habitual dread of the next "big conference" are almost as common.

Such disturbing symptoms are usually regarded by others, if not by the executive himself, as the natural signs of advancing old age. Yet, startlingly enough, some top authorities feel they should *never* appear. A leading specialist on aging puts it this way: "The 'symptoms' of old age are not necessarily a result of advancing years. Many such symptoms simply *coincide* with old age. Mistakenly, we associate them with the passage of time."

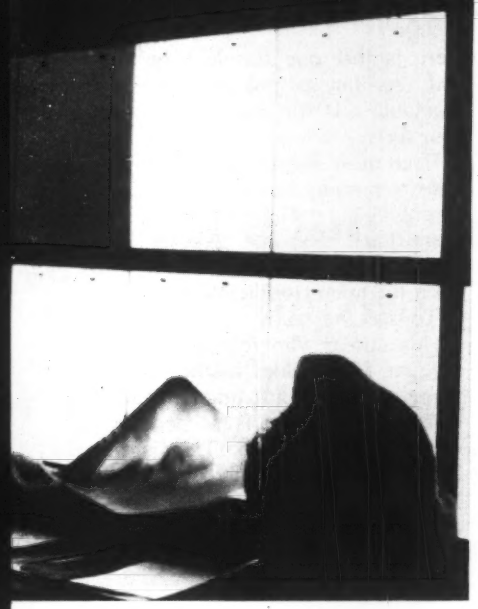
If the symptoms of premature aging are not natural and inevitable, what does cause them? Just in the past few years, the relatively new science of gerontology has come up with some eye-opening answers. Dr. Maximilian Le Witter, a gerontologist at New York's Metropolitan Hospital, cites two basic factors. The first, on which some of the biggest guns in medical research are currently targeted, is a familiar threat to the senior executive: hardening of the arteries, particularly those in the brain.

The second, improbably enough, is nothing more mysterious than physical strain from continuous abuse of the body through heavy social drinking, lack of sleep or overwork.

The high cost of competition

Can physical strain actually cause aging—the kind that is manifested in memory lapses, lethargy, loss of intellectual grip? Indeed it can, declares Dr. Le Witter. Another apparent "age maker," he adds, is stress. Ominously enough, executives who work under continual pressure seem to be especially prone to debilitating, often fatal diseases in their later advanced years. Worse yet, notes Dr. Le Witter grimly, our competitive business system has so many built-in pressures that in some cases premature aging may be the inevitable price a growing number of executives are paying for personal success.

Many of them do not even know they are paying that price. For the special, insidious characteristic of premature old age is its tendency to nibble, slowly but steadily, at a wide range of physical and mental capabilities. Its manifestations rarely erupt overnight. Hence, it seldom gives its victims fair warning. If you, like a



host of other executives, established a murderous pace for yourself at age thirty, you cannot hope to erase all its effects at age 55. True rejuvenation is a miracle medical science is so far unable to produce.

But does this mean you must resign yourself to the prospect of a gradual loss in your executive vigor in the years to come? Far from it. Medical authorities who have examined thousands of executives, as well as the gerontologists, have come up with an effective prescription you can use to salvage your executive vigor and ward off the symptoms of early old age.

In essence, it adds up to a deceptively simple program, based on familiar rules of sensible living.

The first rule, stressed by Dr. Winter, is also a basic precept of good management: delegate authority. Too many executives, say the doctors, burden themselves unduly with endless details that subordinates should handle. Obviously, paying lip service to delegation in principle is not enough. Putting it into practice will benefit you and your organization alike.

Next avail yourself of the rejuvenating properties of recreation. It can, the doctors declare, actually make you both feel and look younger.

Not that just any recreation will do. On the contrary, you must observe one basic rule. Your recreation should be completely absorbing and completely divorced from your work.

For the chair-bound executive, the experts advise "active leisure" such as gardening or carpentry, rather than a totally sedentary hobby like reading. Reason: to maintain proper muscle tone, everyone over thirty has an actual physical need for regular, moderate exercise.

There is, however, one big exception. If a sedentary hobby diverts you, offers the needed change of pace and takes your mind off business problems, enjoy it to the fullest. It will do you good—and you can get your exercise some other way.

In any case, say the experts, your recreation should provide as much stimulation and enjoyment as your work.

Keeping your body in shape, of course, can do little by itself to improve mental "tone." Except in cases of a serious psychological block or organic impairment of the brain, though, memory fadeout is easily cured. For it is due to nothing more serious than disuse.

If you doubt this, pause for a moment and consider your own career. As you climbed the executive ladder, it is probable that fewer and fewer demands were placed upon your memory. Your job was increasingly a matter of rendering decisions, less and less of retrieving information. After a time your memory, like an unused muscle, is apt to become flabby, eventually may respond only feebly when called on.

To save a slipping memory

Fortunately, there is a dramatically simple way to curb memory lapses. Gerontologist Le Witter puts it in three words: "Exercise your memory." This means trying consciously and persistently to recall dates and events. Frustrating at first, the effort will soon prove amazingly fruitful. You will find yourself bringing to the surface of your mind a vast store of detail that you had not tapped in years.

For an ideal method of memory exercise, Dr. Le Witter suggests studying a new language, a hobby which affords the pleasure of a significant personal accomplishment and challenges your executive talent for concept formation.

Not surprisingly, exercising the memory has many beneficial side effects. It tones up your capacity for concentration and reflection. And, consequently, it helps to banish other embarrassing symptoms of aging—daydreaming, restlessness, and the like.

But there is one symptom that memory pushups will do nothing to

Six Ways to Slow Aging

Fatigue, memory fadeout, and apathy are but three symptoms of aging that may afflict the busy executive in the prime middle years of life. These impairments, say medical experts, can be overcome by will power and self-discipline. Here is what the management man over 50 can do to restore his "executive grip".

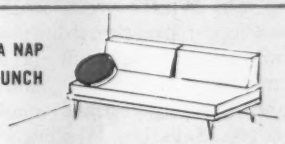
EAT LIGHTLY FIVE TIMES DAILY

. . . to banish between-meal hunger, pamper the digestive system

CUT DOWN ON ANIMAL FATS

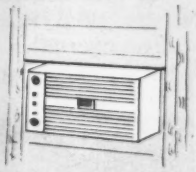
. . . to slow down hardening of the arteries

TAKE A NAP AFTER LUNCH



. . . to overcome fatigue, aid digestion

AIR-CONDITION HOME AND OFFICE

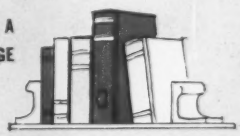


. . . to reduce stress on heart and lungs

EXERCISE REGULARLY

. . . to maintain muscle tone

STUDY A LANGUAGE



. . . to discipline the memory, sharpen intellectual powers

cure. That symptom, usually due to an ebb of physical energy after lunch, is sleepiness during the vital business hours from noon to 5 p.m. How can this drowsiness be fought off? To a man, the medical experts offer the same advice: "Don't fight it—surrender!" A short nap after lunch, they say, will give your body the rest it demands, enable you to accomplish more during the rest of the day. Some medical experts suggest that a half-hour siesta should be on every executive's agenda regardless of age. But for the businessmen over fifty, they insist, it is a "must."

Five meals a day

A hearty lunch, of course, is almost certain to result in afternoon sluggishness, mainly because the blood that should be supplying oxygen to your brain is diverted to the digestive organs. But eating so lightly that you go hungry is no better, in Dr. Winter's eyes. His prescription is a radical departure from the lifetime habit of three square meals a day. Dr. Winter urges senior executives to eat five times daily—in addition to breakfast, lunch and supper, a snack at coffee break, and another light, easily digestible snack before retiring. Says Dr. Winter: "God did not command man to eat only three meals daily."

Bed-time snacks, however, are unlikely to be much help with the inability to sleep that annoys many executives over fifty.

If you habitually wake up at 2 a.m., what should you do about it? "Nothing," say the doctors. Make the most of it. Get up if you feel like it. Read, listen to music or write letters for an hour or so. When you feel drowsy again, go back to bed.

In other words, don't waste that bonus hour wrestling with your pillow.

Whatever their worries about sleep, most aging executives are even more concerned about their diet—and rightly so. Typically, their physicians report, they worry about two questions. "Should I take vitamins?" they ask, and "What should I do about cholesterol?" On both counts, medical experts are unanimous in their verdict.

Taking vitamins, they say, is definitely advisable. Because the body's ability to absorb vitamins from natural sources declines in middle age, it is advisable to provide an additional source.

As for which vitamins to take, and in what quantities, there is room for disagreement. The geriatric formulas on sale in drugstores get a qualified endorsement, though some doctors are skeptical of the value of "shotgun" therapy. Under some circumstances, they point out, overdoses of certain vitamins can be harmful. Best bet on this point is to follow the advice of your own physician.

On cholesterol, the fatty substance produced in the blood by saturated fats, the doctors speak with one voice. Cholesterol, they point out, is currently a prime suspect in arteriosclerosis. It should be kept to a minimum, and there is just one simple way to do that. As far as possible, substitute vegetable oils for the animal fats in your diet.

Even more important than physical rules, for many businessmen, are the psychological prescriptions. For in the years past fifty, the experts insist, mental and emotional factors are often the main troublemakers.

To see the truth in this, consider the executive who refuses to act his age. At 55, he does his best to convince himself and others that his tennis game today is as good as it was thirty years ago. This is sheer folly, of course. Granted, a youthful outlook is desirable. But the man who expects and demands of himself the physical performance of a college senior is courting trouble.

To be sure, the doctors' psychological precepts go a step beyond asking you to acknowledge that you are not the same set of muscles and reflexes you were thirty years ago. On the positive side, they urge you to give more attention to your personal comfort—in both office and home.

Controlling your environment

Air conditioning, of course, is one obvious comfort to which you can consider yourself entitled. Since hot weather can sap your mental as well as your physical energies, this is only common sense. One caution, however: don't turn your office into a deep freeze unless that is the only way you can be really comfortable. Many older executives prefer a warm office. Cater to it, if this is your taste, and hike the thermostat to 80 degrees if 75 seems too low.

Trivial though it may seem, even your office decor can be important. Nothing, say the doctors, is more taxing than an unpleasant environment in which to work or live. As the energies gradually decline in later years, environmental influences impinge more strongly on the individual, affect him more deeply. And the irritations they can cause may step up the tensions that hasten aging.

Summed up, the experts' prescription against premature aging has just one surprising thing about it. That is its simplicity. Basically, it calls for nothing more than sensible living habits and moderation in all things.

The rewards? "The long-range capital gains are high," says Dr. Winter. "And they are tax-free."

—JACK J. FRIEDMAN

ANNUAL EXAMINATIONS for top executives are provided as a routine benefit by many major American corporations. After age 40, the periodic exam is a must.

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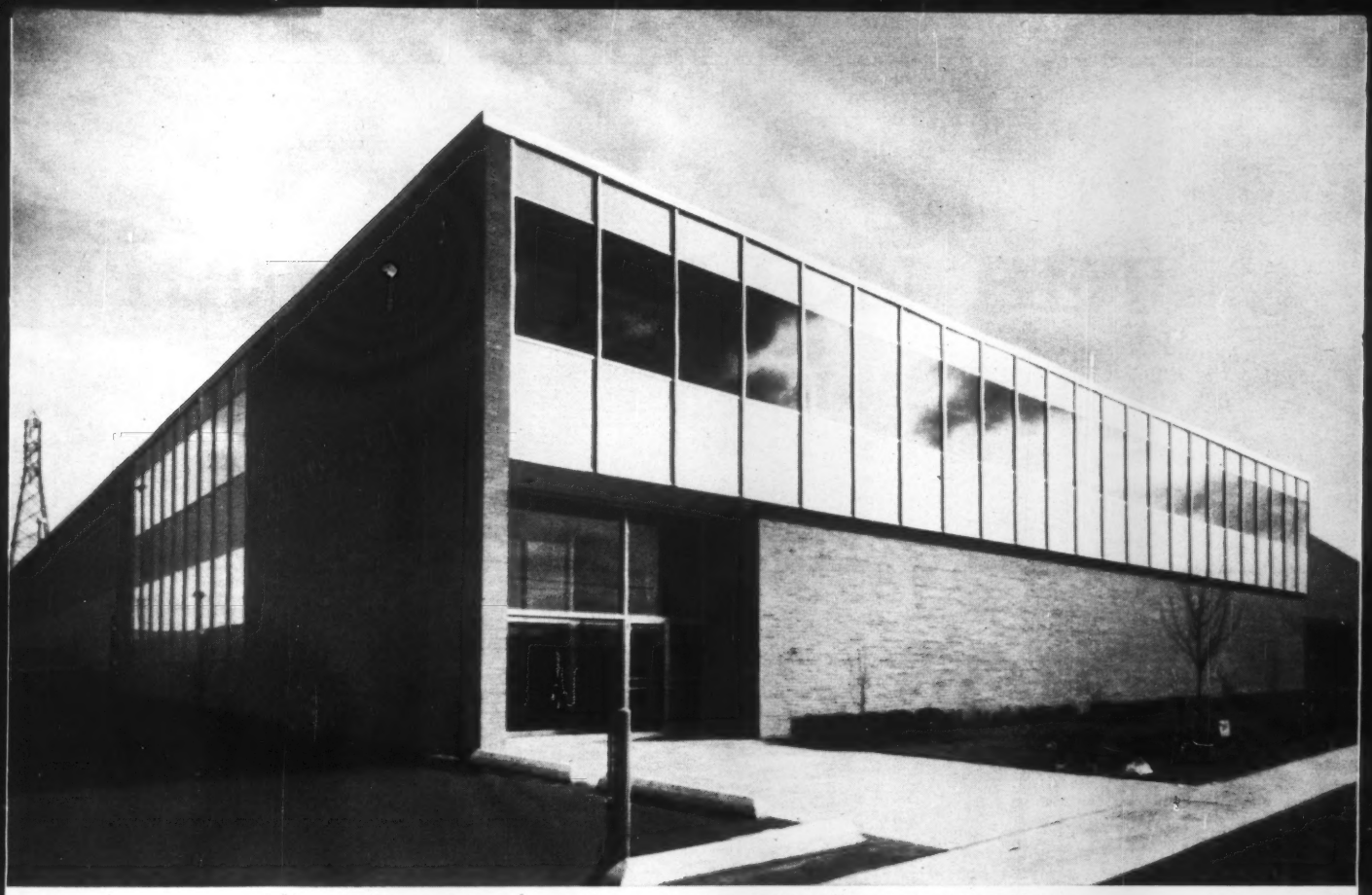

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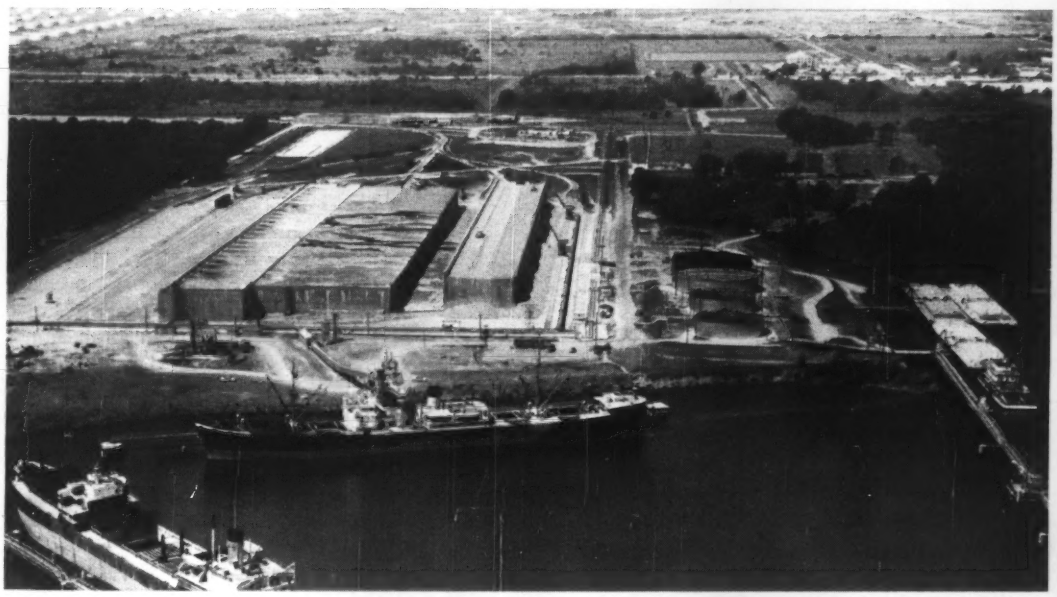

BIG NEW TERMINAL at Beaumont will help Texas Gulf get sulphur to customers faster, spur its sales.

Texas Gulf Sulphur is gambling to regain its position as one of the most profitable companies in a profitable industry. Its bid for a grand slam: diversification into a brand-new business.

YEAR AFTER YEAR, the Texas Gulf Sulphur Co. mined a stream of golden profit by using one of the simplest industrial processes in the world. As the largest U.S. producer of sulphur, Texas Gulf merely pumped up the yellow mineral and sold it to no less than 72 industries, which used it to turn out everything from fertilizers to fumigants and from medicine to matches. "There are no frills attached," agrees President Claude O. Stephens. "We take the sulphur out of the ground—over 99% pure—and market it."

Then, in the late 1950s, the golden business began to tarnish. Companies sprang up in Mexico to develop newly found deposits. Texas Gulf, with a substantial part of its market on the East Coast, was vulnerable to the Mexicans' vessels, which could not reach the inland markets of other American producers. Result: in just six years, Texas Gulf Sulphur's annual sales plummeted by 37.2% (to a low of $58.9 million) and its profits by 60.4% (to $12.6 million).

For businessmen everywhere, whether in manufacturing or in other extractive industries, the experience of Texas Gulf Sulphur is not without significance. Even in an age of diversification, it points up the nagging fear which has bedeviled management ever since the days when the automakers switched from canvas tops to metal ones. It is just this: What can a company do when the market suddenly goes sour for its major product?

It is a simple question with complex ramifications. In an age of rapid technological change and bewilderingly rapid shifts in consumer and industrial buying habits, even a fairly well-diversified company can suddenly find that its main product line has slumped. Yet how easy is it to plunge an established company into new ways? And can a company ever have the security of knowing it has found just the right line, one which it can exploit without further damaging its already weakened major product?

No man has searched harder for the

TEXAS GULF'S Stephens is counting on potash to forge into a growing market where the production costs are low, the profits are high.

answers than Claude O. Stephens, the 52-year-old former driller's helper who became the chief executive officer of Texas Gulf Sulphur just last year. Worse, Stephens had to find those answers for a company which had never seen much reason to diversify at all. "There was substantial opposition to diversification in former years," says Stephens frankly. "It was overcome as new management came forward."

His solution, moreover, was one that many a management would have balked at. On the surface, it appeared to be nothing less than an out-and-out gamble, one that Texas Gulf has yet to prove it can win. For it is investing a walloping $30 million, no small sum even for a well-heeled company with $78.6 million in the corporate strongbox, to bet that it can make its way in the alien field of potash.

The chips already are down. Stephens paid the Delhi Taylor Oil Corp. $4.5 million (against royalties of 15% to 25%) for the options to a potash deposit held by the oil producer. Now, in the desert outside Moab, Utah, Stephens is investing other millions of dollars to sink a shaft 2,800 feet beneath the ground and build a processing plant. Just eighteen months from now, he then will face the new problem of selling the 1.1 million tons of potash that will pour out of the mine every year.

Stephens, though, feels that he has hedged his bets with a series of steps other businesses might well follow. First off, he feels a diversifying company should stick as closely to its last as possible. "We never had any plans," he comments, "to start making pots and pans. We felt that we had to stay close to the business we know—the extractive industry."

Stephens' second hedge was against a risk he must run when that mine starts spewing forth its potash. That is the problem of setting up the physical distribution of a new line, of getting "shelf space" for the company's wares. So Stephens reasons that if the company should stick close to its basic business in production, it should do the same thing in distribution. "We won't need a marketing set-up for potash," he points out. "We'll be selling to our best sulphur customers—the fertilizer companies."

Third, Stephens looked for a field that was in a clear growth trend. Through a series of detailed studies, Texas Gulf Sulphur found that the U.S., alone, uses six times more potash today than it did just two decades ago, with demand doubling in the past ten years alone.

Better yet, the studies showed even greater growth ahead. World demand will double again by 1975 at the latest. With 900 million more mouths to feed by that time, the world will need more potash-based fertilizers to grow all that food.

Competition? Stephens' studies took that into account, too. "Despite all the producers," he notes, "potash is even today moving into short supply. By 1963, the year our Utah mine goes into production, the U.S. and Canada will need close to 5.6 million tons of potash. Without Texas Gulf, that would mean there would be an actual shortage of close to a million tons."

That demand, moreover, means the company will not have to follow the usual corporate gambit of cutting prices to move into a new field. In the past two years alone, potash prices have gone up twice, fluctuating according to season between $21 and $25.80 a ton. As this article went to press, they stood $3 a ton higher than they were as recently as 1959.

Equally important, Texas Gulf Sulphur now has potash deposits which are the largest in the U.S., deposits which Stephens feels also are of higher quality than those of competing companies. With those rich veins, then, Stephens can count on having an advantage in production costs. New Mexican potash, for example, costs roughly $14.50 a ton to mine, with Canadian potash costing just under that figure. But in Utah, Texas Gulf can count on the same low costs that made it so successful in sulphur: production costs that run to under $12 a ton and could bring the company profits of roughly 50 cents on every $1 of sales after taxes.

Added to that, the location of the mine is a distribution man's dream. Moab is far nearer to the big Midwest potash market than the mines of other producers. Also, a Denver &

continued on page 51

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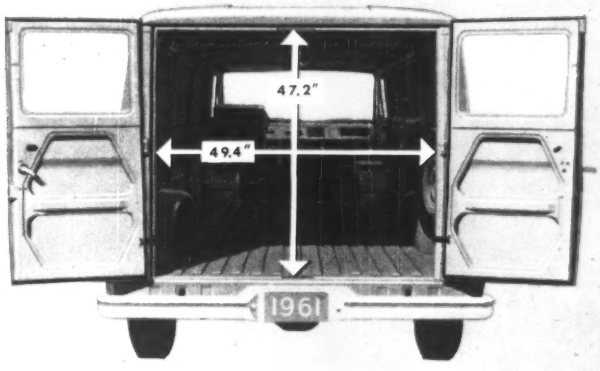

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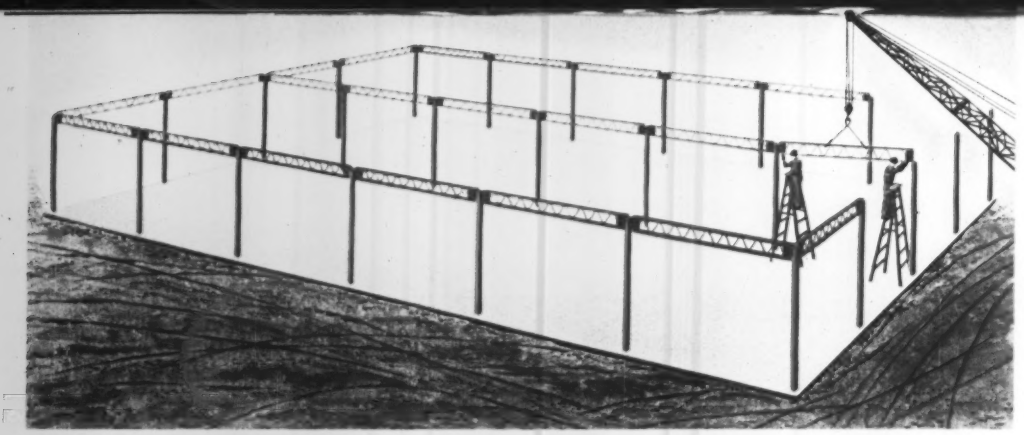

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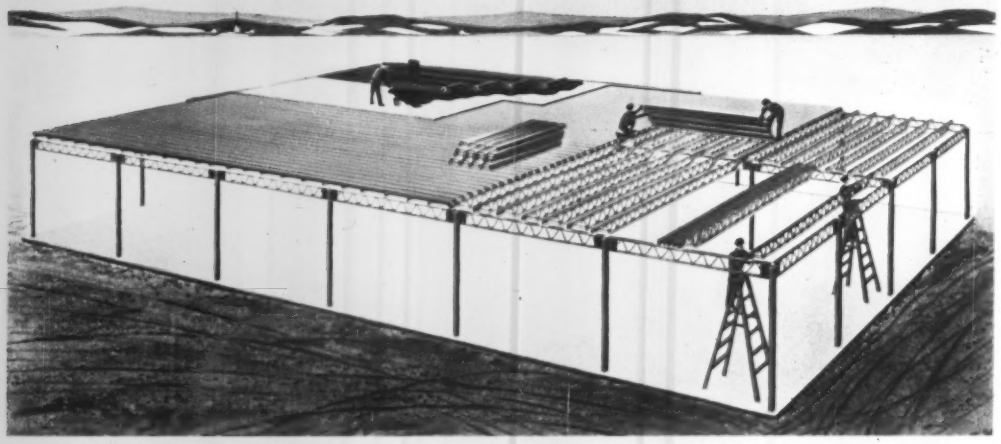
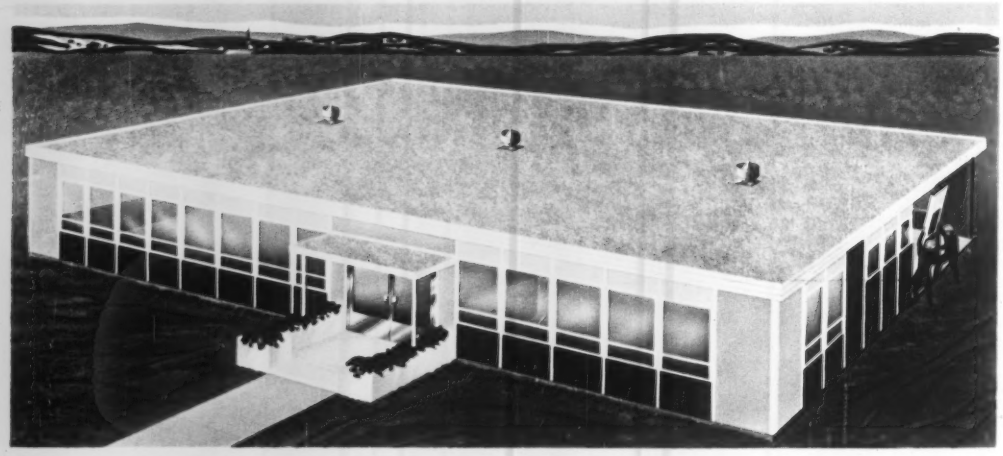


A simple roof . . .



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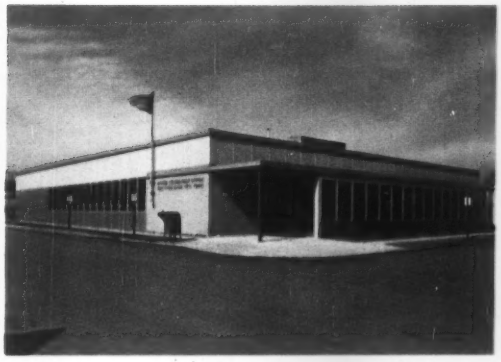

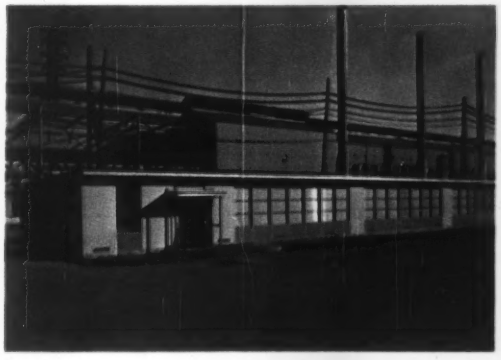

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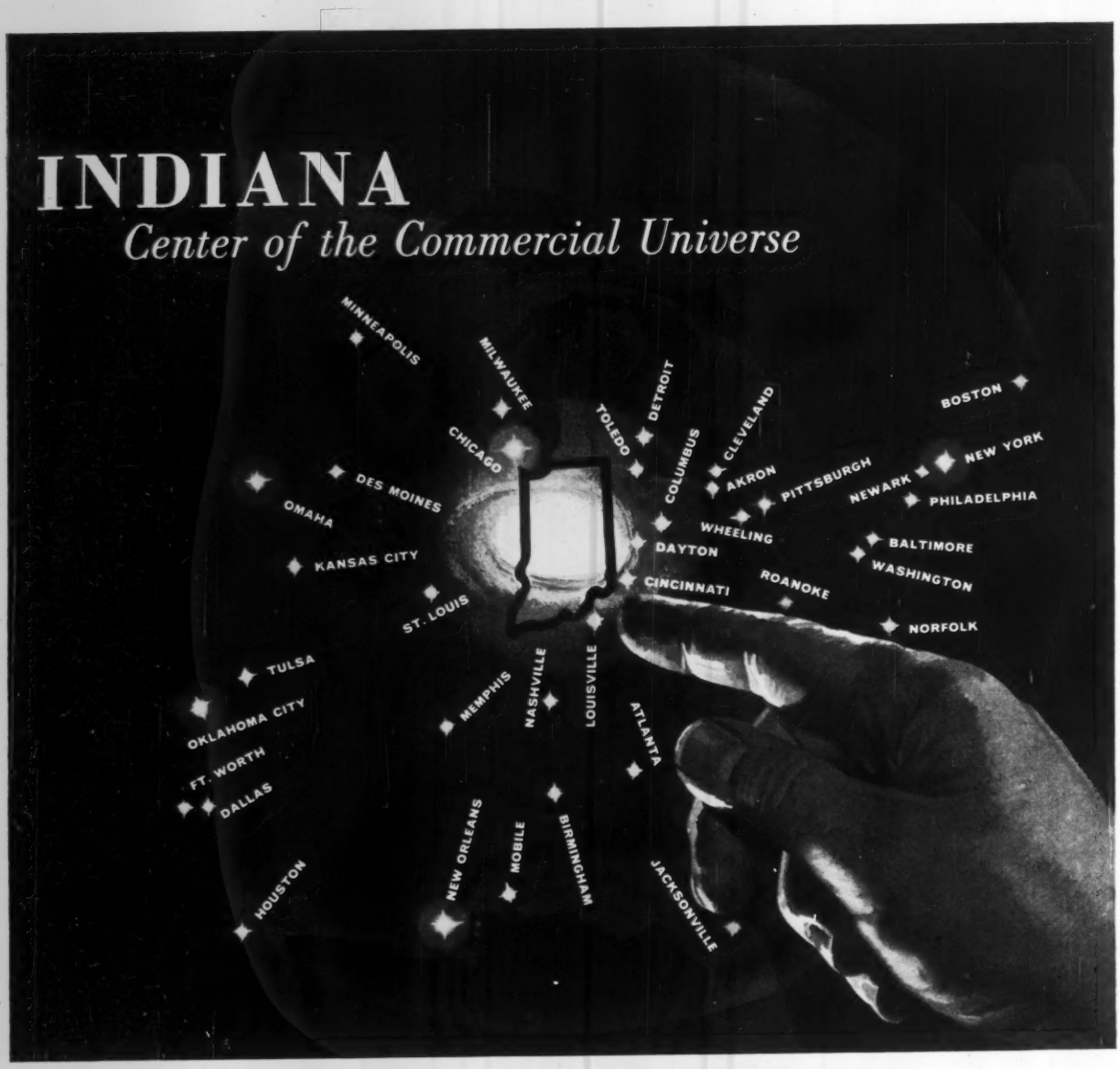

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But can the new field pay off for TGS? Stephens thinks so. By 1963, he believes, Texas Gulf should be well on the way to drawing at least $5 million a year in potash profits. That is a conservative estimate, he adds, based on anticipated annual sales of 1.1 million tons. And if the market grows as expected, it will not be too long before Texas Gulf increases its production by 50%, without any further major investment. For with his eyes on those market projections, Stephens has been building both the mine and the plant for ready expansion.

In the meantime, though, Texas Gulf is not overlooking its original business. Though it has disgorged some 50 million tons of sulphur since it first came on stream in 1929, the astounding Boling Dome in Newgulf, Texas has barely been tapped.

In fighting to keep that original business strong, Stephens has one big advantage. The biggest cost for the sulphur producer is fuel and water, since the Frasch process by which most American sulphur is produced calls for super-heated water to be pumped below earth to make the sulphur molten and thus easily pumped to the surface. The amount of water needed, though, varies from dome to dome, running from 1,000 gallons to as high as 12,000 gallons for every ton extracted.

So vital are these costs, in fact, that most companies label them top-secret. Many of the Mexican producers, however, had passed the word in the past that they could lower customer prices because they needed only 1,600 gallons of water to bring up a ton of sulphur. Texas Gulf, which only last year closed down its own Mexican diggings because of their expense, is unimpressed by the argument that Mexican costs are lower.

"We have a world-wide reputation as a low-cost producer," says Stephens. "It's our Texas operations that are responsible for that."

At the same time, Texas Gulf is moving to keep even with, or pass, its rivals in distributing its yellow wares. Even rudimentary distribution methods are a completely new departure for an industry which in the past did not even have to build warehouses for its output (hardened sulphur can be stored in the open with no harm at all). Just recently, though, Texas Gulf finished building a mammoth terminal at Beaumont, Texas, where it can store its output for direct shipment by truck, rail or ocean-going ship.

Stephens also is following such other producers as Freeport Sulphur and Pan American Sulphur by setting up a system to distribute molten sulphur. That way, the customer receives his sulphur ready to use, and does not have to pay fuel costs himself. At Beaumont, Stephens has installed a facility which pipes molten sulphur directly from the mine to a specially designed 15,000-ton tanker which can carry the liquid mineral. Along with that, Texas Gulf has new liquid storage tanks on the East Coast and in the Ohio River valley.

As if all that were not enough, Texas Gulf may soon be able to raise the price of its sulphur. When Mexican sulphur first appeared on the market six years ago, of course, the new producers had to cut the price to obtain customers. Texas Gulf retaliated, "to separate the men from the boys," by slashing the price again.

This downtrend, however, has stopped, and many of the contracts that were signed at the height of the price war now are coming up for renewal. "I wouldn't be surprised," says Stephens cheerfully, "to see new prices that are a lot more realistic."

And that, in the final analysis, is all that can be asked by a company that was driven to diversify by the competition in its original field.

—PATRICIA H. DURSTON

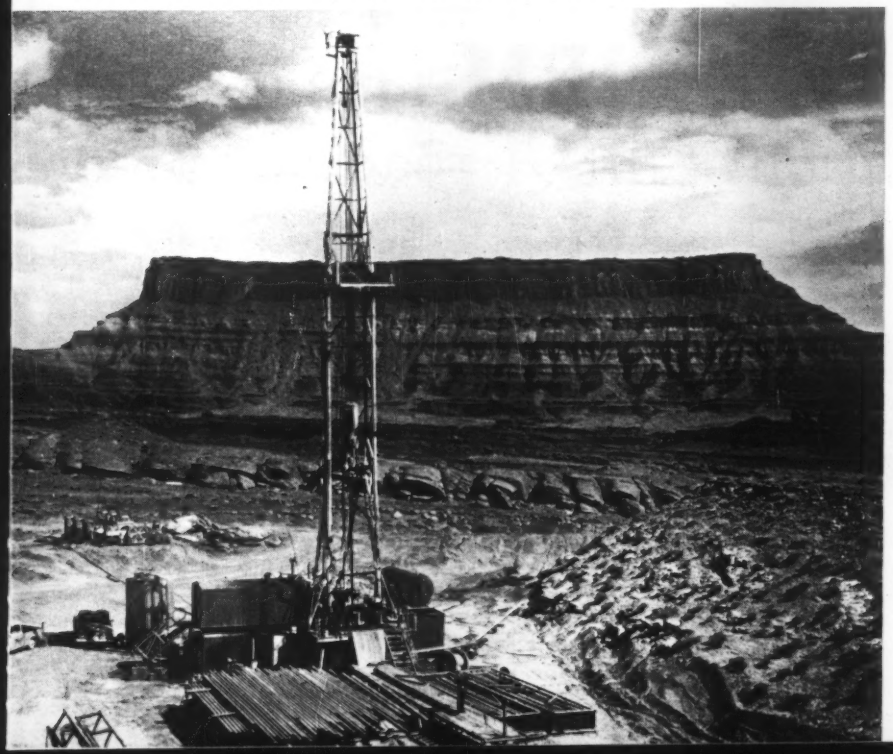
Bucking the Trend

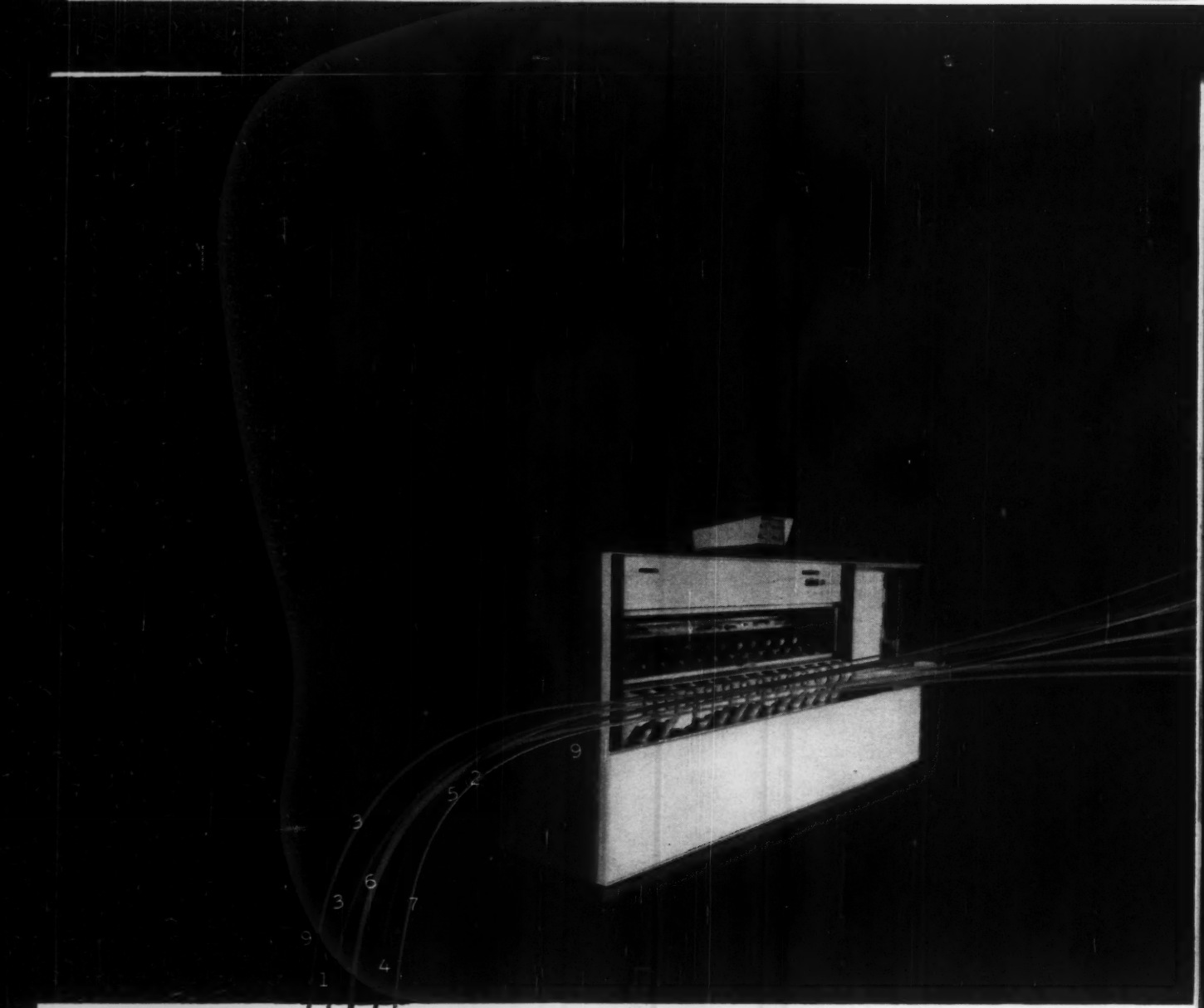
How does a company like Texas Gulf Sulphur, with over half the market for its product, suddenly find itself fighting to "come back"? Here is the explanation of President Claude O. Stephens:

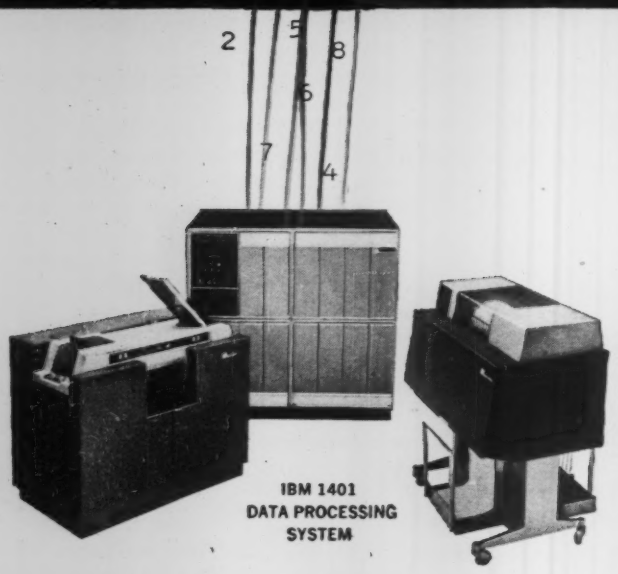
"I think the general trend of business and the development of our industry in this country was responsible. We were for many years the substantial producer of sulphur. Nobody else came close, so everyone was satisfied. Management was happy to sit and wait for the customers to come to us.

"Today, though, the trend is for corporations to grow, and you can't always do this in one commodity. Some companies grow both vertically and horizontally, some grow either one way or the other. We didn't join in this trend, despite the fact that industry was on the move everywhere."

DRILLING RIG in the Moab desert probes into the earth that will yield some 1.1 million tons of potash a year for Texas Gulf. First sales will come in 1963.







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IBM® 1418 Optical reads printed

Direct input to a computer *without manual keypunching*—that's how the 1418 dramatically boosts input speeds, and raises over-all efficiency.

Typical example: in a job that normally would call for 20,000 punched cards, the 1418 reduces 200 hours of keypunching and verifying to *one hour* of "reading." The 1418 reads numerical data and marks on bills, invoices, checks and other papers at speeds up to 480 characters a second... and up to 400 documents a minute.

Character Reader numbers directly into the 1401 system

Reading is *optical*—no special inks required. Documents prepared on 407 accounting machines, 1403 printers, typewriters equipped with IBM 407 type, or credit imprinters with elongated 407 type, are the "reading matter" for the 1418. Since your 1401 computer controls the feeding of documents into the 1418 reader, you can get either continuous or interrupted feeding for special processing.

Depending on your needs, there are two 1418 models to select from. One has three stacking hoppers. For more complex sorting jobs, there's another with thirteen which sorts documents either under 1401 control, or independently.

Optional features include: a second optical reading station which permits two lines to be read on a single pass; a mark reading station for reading pen or pencil marks optically.

For more facts about how the 1418 increases the through-put of your 1401 System, call your IBM Representative.

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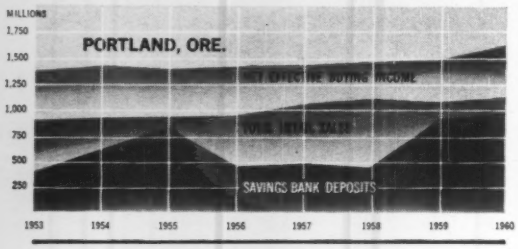
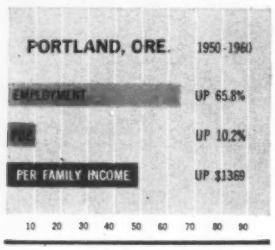
FOR SALE OR LEASE *135 acres of fully developed sites in Union Pacific's Rockwood District tract*





Portland is to be counted among those amazing areas of the West where industrial growing pains are constant and spreading. One look at the above charts tells the story.

One of the choice locations (pictured here) is approximately 10 miles from Portland's downtown business center and immediately accessible to Union Pacific main line and U.S. Hwy 30. Streets are paved; all utilities are in; some nationally known industries are now located in Rockwood. 135 acres are still available.

When you locate in Portland you locate along the route of the Union Pacific—the road that has helped spearhead industrial growth of the West since the rails first opened the territory. Its modern facilities and equipment are a promise of fast, reliable freight service.

Locate in the West—where 9 out of 10 industrial markets are outpacing the national growth.

For more detailed information on this or other sites in the West see your nearest Union Pacific representative, or address

Industrial Development Department
UNION PACIFIC
Railroad
OMAHA 2, NEBRASKA

SPECIALTY SHOP atmosphere of this U.S. Rubber store is one sales lure to employees. The other: a handsome discount.

The Big Push for Employee Sales

WHEN Connecticut Yankees in the small industrial city of Naugatuck go into a shoe store, there is one item they rarely buy. Sneakers, the local retailers have learned, just do not move well in Naugatuck. Yet, children there are just as keen about them as other American kids, and housewives shop the local supermarkets in footwear that looks suspiciously like canvas shoes. And when a Naugatuck husband goes out to mow the lawn, he does not wear brogues.

What is behind the average Naugatucker's reluctance to buy his sneakers where everybody else does—in a shoe or department store? Not, as might be expected, some deep-seated boycott, but merely Yankee thrift. For many years now, anyone in Naugatuck who has a relative employed by the U.S. Rubber Co. has gotten his Keds at a discount. By now, this includes almost every one of the town's 19,500 inhabitants.

Naugatuck probably is unique, for it is doubtful that there is any other town in the U.S. where the discount cuts so wide a swath. But it is nonetheless typical of a growing trend: confronted by dips on the sales charts, or even just rising lines that do not keep pace with rising costs, American companies are looking for new outlets. And the best of these, they often discover, is right in their own plants.

It may be a single counter in the cafeteria or a luxurious "boutique" with deep carpets, subtle lighting, and soft-voiced saleswomen. In any case, the employee store is becoming a lucrative sideline for such firms as Revlon, General Electric, Lever Brothers, Borden and Johnson & Johnson.

Retail sales begin at home these days for companies that have discovered the lush market in their own back yards. And no wonder, when you look at that hefty employee pay.

It is a sideline, incidentally, which offers a big bonus in public relations. "Brand loyalty begins at home" is a slogan long popular on Madison Avenue, where there is a standing joke that an advertising man's taste in cigarettes depends on which tobacco company his agency represents. Now that slogan is spreading throughout industry.

To U.S. Rubber's President George R. Vila, stirring up such brand loyalty is just plain common sense. "The best customers for U.S. tires," says Vila, "should certainly be the people who make and sell them. And after all," he adds, "when an employee buys his company's products, he is really helping himself. It means more business for the company and more job security for every one of the company's workers."

When U.S. Rubber started its employee sales program in 1958, the recession was on and sales were dropping. Its "Buy U.S. and Boost U.S." campaign sent sales soaring in the company's 38 plant and office stores, and today the big rubber manufacturer does a $2.5 million annual volume in employee purchases—even though good will, rather than profit, is still its prime motive in maintaining company stores.

What do the retailers think of competition like that? "So long as it's a 'family affair,' it's okay with me," says one storeowner in a large manufacturing town.

But not all his colleagues are so complacent. U.S. Rubber, for instance, would not sell golf balls in its company stores. The reason: dealers and golf pros at first raised too much protest. Instead, employees bought their golf balls at regular prices outside, brought in the receipts, and received the discount in the form of extra balls.

For much the same reason, GE employees who want to buy themselves a TV set, washing machine or other major appliance, cannot do it at the company's stores. They go instead to a regular dealer, though they take with them a certificate that entitles them to a company-authorized discount, plus the full factory warranty of product and service. But they work out their own payment terms with the dealer, and he gets enough of a markup to keep him content.

Sweetening a dealer's disposition is not the only reason why companies send their workers out to buy. American Machine & Foundry Co., for example, finds it simpler not to stock such bulky items as bicycles and baby carriages. Instead, it arranges a discount for employees when they buy AMF wheel goods at retail.

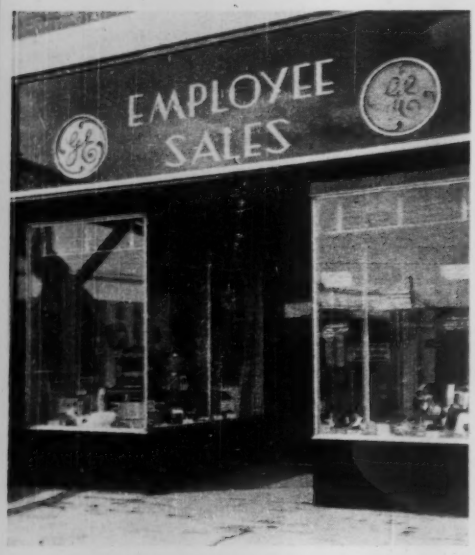
This tactic works for GE and AMF, but there are many discount-harassed retailers who look on employee sales as just one more piece of sabotage. These men see themselves, in effect, as the solitary defenders of Fair Trade prices, under attack on one side from the discount houses and now hit from behind by the very manufacturers who should be their staunchest allies.

So serious is this problem that several companies have simply thrown in the sponge. Even though their legal departments say they can cut employee prices as low as they like without risking Fair Trade violations, they have closed their plant stores for good.

Even manufacturers who favor employee sales are treading carefully to keep off the retailers' tender toes. It is considered bad form, for instance, to import another company's products for sale in your own employee store. Borderline cases, where the company makes the major components of someone else's product, are especially touchy.

General Electric employee stores could easily become full-scale hardware outlets if they carried all the products in which GE parts are used. To skirt this possibility, and at the same time mollify regular dealers, GE has ruled that it will sell only items that it manufactures and assembles itself.

Even multiplant companies which make various components in separate



GENERAL ELECTRIC has some 80 employee shops dotted across the U.S.

BUT EMPLOYEES can buy only small GE appliances in company stores. They go to regular dealers for big items, get a prearranged discount and warranty.

PRIVACY for taste-testing Borden employees keeps their opinions personal. Such "research" also develops brand loyalty.

factories find employee sales bothersome. How do they get around the distribution problem? By taking orders, a tactic followed by other manufacturers with wide product lines.

Yet however efficient the plan, there is an inevitable hazard in employee purchases: the enterprising worker who sees an opportunity to turn a fast buck. He can undercut the local stores and still make a tidy profit in his resale business, and how successful he is at this shady trade depends solely on company vigilance. For most firms, a set limit on purchases and a simple card system are all that is needed to ward off black marketeering. Common sense does the rest. "After all," asks Thomas J. Kiernan, who supervises U.S. Rubber's company stores, "how many tires can a man buy in a year—even if he owns two cars?"

Most manufacturers let employees buy not only for themselves but for their immediate families as well, and few of them frown if their workers get small-ticket items as gifts for friends. GE even includes all retired workers in its company purchase plan. Still, Lever Bros., for one, finds it wise to give employees a discount only on new products, and Revlon sets a $20-a-month maximum on employee purchases.

Considering the people, paperwork and problems involved, is the bid for employee business really worth the trouble? Absolutely, says company after company. One of them, Johnson & Johnson, is so enthusiastic that it has moved its employee store from a basement corner in its New Brunswick, N.J. plant to a newly remodeled building.

Dollars aside, manufacturers who have tried the employee-sales gambit find it highly successful. Many of them go beyond price-cutting in their pitch for employee sales. Borden whets its workers' appetites with samples of new products and a special consumer-testing program. Lever Bros. has its staff taste-test new cakes made with the company's shortenings. The reactions, it says, are as valuable as the customers gained.

Some of the firms even advertise the bargains they offer. U.S. Rubber, for instance, uses its plant bulletin boards to introduce new products, promote seasonal lines, play up the company stores. General Electric, too, uses direct mail as well as bulletin boards.

"Indeed," asks one manufacturer, "why *should* we stand back and see our people buy a competitor's products? They can go down to a discount store and buy goods at cut-rate. Why shouldn't they buy what they make right here in the plant? After all," he says, giving the new battle cry of the sales-eager an extra flourish, "brand loyalty *does* begin at home!"

—CLAIRE TRIEB SLOTE

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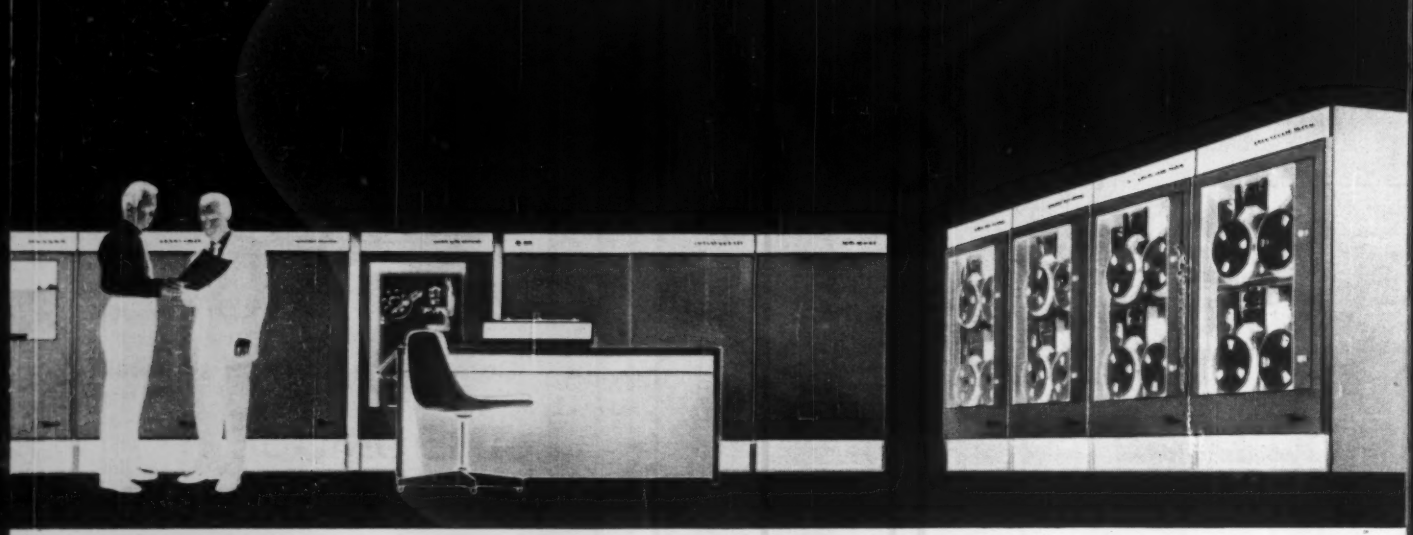

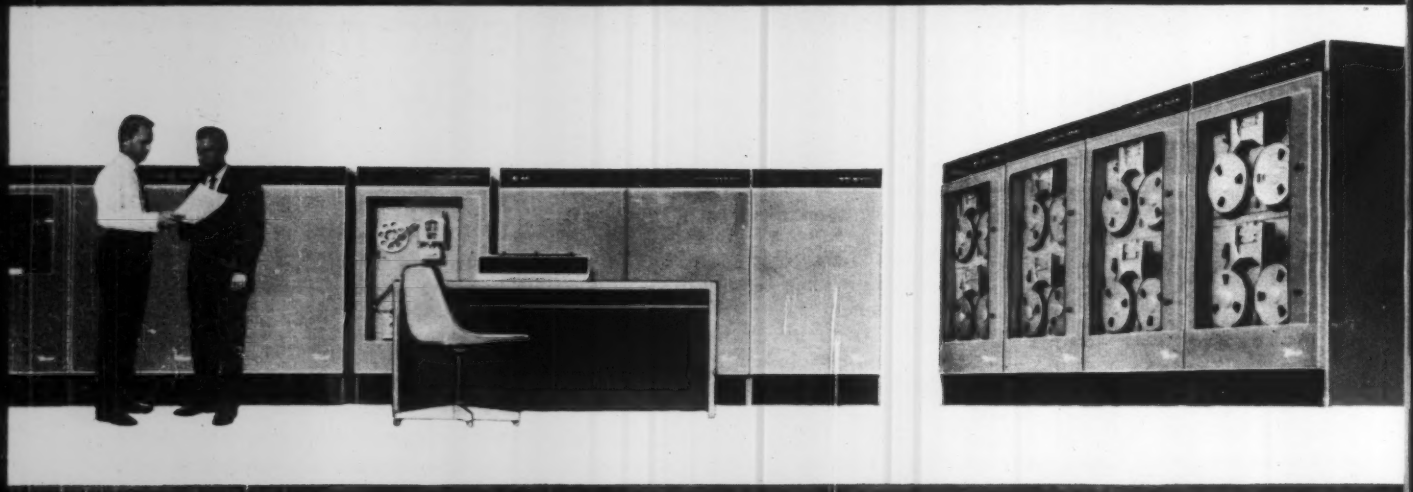

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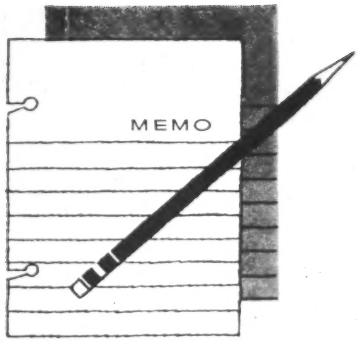


Personal Memo

√ *Life insurance for overseas Americans*

√ *New York services for visiting businessmen*

√ *Safety tips and equipment for small-boat owners*

ARE YOU being transferred to a foreign assignment? If so, the Institute of Life Insurance advises that you check up on your insurance before you go. As the Institute points out, the life insurance companies charge extra premiums for Americans taking out new life insurance when they live in parts of the world which are considered geographically or politically hazardous.

The higher rate, of course, varies considerably. An American going to live in cosmopolitan Lima, Peru might pay a minimum extra $2 per $1,000 of protection. But if he were going into the remote, mountainous areas of the country, he might have to pay an extra $5 or more for the same coverage. This holds true for many other out-of-the-way areas in Latin America, the Middle East and Asia. Unfavorable climate is also a factor, and rates for the tropics are higher than for non-tropical areas.

Too risky for coverage

Obtaining coverage for residence in politically hazardous countries can be even more expensive. In some cases, it can be impossible. Cuba, for example, which was considered a relatively safe country just a year ago, is generally out-of-bounds today. Similarly, in trouble spots like Laos and the Congo, the risks are usually considered too high to grant coverage. On the other hand, Israel, which was on the out-of-bounds list just a few years ago, is today regarded as almost normal.

There are, however, some Americans living in hazardous areas abroad who generally pay no extra premium. A person working for a business that, let us say, maintains its own living compounds and provides its own health services can usually get coverage without paying any extra premium.

The executive going abroad, however, should be aware of one point: additional premiums for foreign residence are not charged on life insurance already in force. The traveling American is protected by his existing policy wherever he goes. Nor is there usually an extra charge on new policies for brief business trips or vacations—unless the situation is extremely risky. So, if you're going abroad, buy your insurance now.

• • •

Coming to New York this summer like so many other businessmen? The Big Town has been changing its face, and there are a few new things you should know about it:

For one, if you drive to town, you may be interested in the fact that Manhattan—which has not had a new hotel in years—has just acquired its first luxury motel. Most of the rooms in Motel City, which is on West 42nd Street between Tenth and Eleventh Avenues, face an inner courtyard, shut off from the city's noise. Reservations can be made through any travel agent and rates range from $14 a day for single rooms, $16 to $18 for doubles, and $30 to $36 for suites. Guests' cars are parked underneath the building free of charge.

For those who would rather not buck city traffic on their own, it will be good news that more and more New York taxicabs have installed air-conditioning. You can tell which ones by the stickers on their side windows.

And for visiting businessmen who want to keep abreast of their work while they are in Gotham, there are several reliable services dotted throughout the Wall Street and mid-town areas which transcribe taped letters and reports taped by either a dictating machine or your own recorder. Girl Friday, at 47 East 44th Street, for example, will pick up the tape at your hotel in the late afternoon, return it next morning. Charges are $5 a thousand words. Typing Pool maintains two offices—one at 55 West 42nd Street, the other at 39 Cortlandt Street. Fees here run by the hour—$3.50 for copy work, $4 for transcribing—and Typing Pool does emergency weekend work as well.

Dictaphone Service offers out-of-towners who own its equipment a special Travel Card Service of $3.50 a week for renting their dictating machines in New York. Non-owners are charged $10 a week, $25 a month. Dictaphone will also recommend typing services near your hotel or, in an emergency, send around a typist.

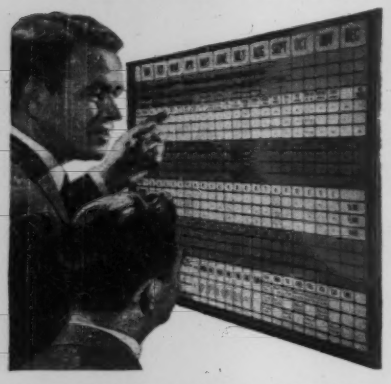
And if your trip to New York will include side excursions to either Boston or Washington, make a note of Eastern Air Lines new "air shuttle." No reservations or advance tickets are required to board one of the 95-passenger Constellations that leave La Guardia Airport for Boston and Washington every even hour from 8 a.m. to 10 p.m. (There are four flights a day from each of those cities to New York.)

Board now, pay later

Unless you use a credit card, it is not even necessary to buy a ticket ahead of time. Fares—which run $14 between New York and Washington, $12 to Boston—are paid on board the plane and include the 10% federal transportation tax.

To board the flight, passengers merely tear off their passes from an automatic dispensing machine, drop off all bags except hand luggage at the loading gate. There are no bag

How To Get Things Done Better And Faster



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tags needed. Suitcases are taken to a self-claim counter on arrival.

One warning: no meals or beverages are served on the one-hour flight, and seats are on a first-come, first-served basis, although Eastern keeps standby planes and crews in reserve during peak traffic periods.

• • •

If you are one of the nation's 8 million small-boat owners, chances are you have already given a good deal of thought to the all-important matter of safety. And if you have children to worry about, you have probably laid down the law more than once concerning the dangers of horseplay on board, the necessity of wearing life preservers, and so on.

But it is the risks many boat owners and their families run without even knowing it that often turn summer fun into tragedy. Well over 1,000 persons perished last year in small-boat accidents which could, in the main, have been avoided by a better understanding of boating hazards and knowledge of the elementary rules of water safety.

Particularly if yours is a small boat with a rounded bottom, not stabilized by ballast or a heavy keel, you may come close to capsizing more times than you realize. Remember that the more weight you have above the boat's center of gravity the greater the risk of a spill. In a small boat with a heavy outboard, for example, it is asking for trouble if you stand, or permit others to stand, when starting the motor.

Up to a point, seated passengers in a boat serve as needed ballast and make a tip-over less likely. But overloading may cause the boat to ride so low that only a few handspans of space (freehold) separate the gunwales from the water's surface. Then, all it takes to swamp the boat may be a sudden motion or a shift in weight by one of the passengers.

In small boats, the need for life preservers is—or should be—too obvious to be ignored. But even in bigger vessels, where tipping is less of a problem, the possibility of accident is ever present. Though you may be equipped with the latest in self-inflating lifesaving gear, basic safety rules (and State or Coast Guard regulations) still decree that you have on board, within easy reach, kapok, unicellular plastic foam, or fiberglass-filled life preservers for every person aboard.

Not all types of preserver, it is worth noting, are approved by the Coast Guard. The most popular style of preserver, the buoyant cushion, is favored by boaters because it serves a double purpose as a seat. Trouble is, such preservers are likely to get flattened and lose buoyancy after being sat on for months. The Coast Guard, which frequently checks preservers of this type in marine use, favors the buoyant vest and the newer, more effective, preserver of the so-called yoke or horsecollar type.

• • •

The man who is going to the woods on vacation this year may well be interested in a way to cut down on one of the bulkiest items on any camping trip: food. Lightweight frozen-dried meat and eggs that need no refrigeration are now available, can be brought to "freshness" by the simple process of soaking for ten to fifteen minutes.

Processed by Armour, the dishes available range from beef steak, boneless pork chop and ham patties to beef and chicken stews, chicken and rice dinners and scrambled eggs. The flavor is palatable, the texture exactly like those of fresh foods, and the cooking time required, in an open skillet, is fifteen minutes at the most. Camping and sporting goods stores throughout the U.S. carry them.

• • •

Summer insects are a hardy lot, as every gardener and woodsman knows. Many of them not only have become immune to the chemical killers developed in recent years but, worse yet, they have passed this immunity on to their offspring as well.

Those who use pest killers are consequently a bit wary of new claims. Yet it is worth noting that in extensive tests, a new chemical has been killing a variety of the hardiest, most resistant bugs around the U.S.

Called Sevin by Union Carbide Corp., which developed it, this potent insecticide is one of the ingredients in several formulas manufactured by a number of companies. And whatever it does to bugs, Sevin has an added virtue besides its strength: it is absolutely safe to use on animals, will not harm human beings and, unlike DDT, does not accumulate in the body.

Fruit sprayed with Sevin is safe to eat without laborious scrubbing, and the fruit trees can be treated right up to the day before picking.

Under the trade name 50-W, Union Carbide itself has a lawn and flower spray containing Sevin that is handled by garden supply dealers. You can also check for the new chemical in the list of ingredients on pet and canary flea powders and flower-dusting sprays put out by various manufacturers. Prices, which are competitive, vary from area to area, as do the various dusts and sprays since they are mixed to eradicate specific regional insects.

• • •

Ever since the Cuban invasion fizzled out, many a cigar-smoking U.S. businessman has been puffing more reflectively on his Havana. What if the fortunes of war should cut off the Tampa cigar makers' supply of Cuba's famed Vuelta Abajo filler, the leaf that really makes a top-quality Havana cigar? "A man may be as mad as a billy goat at Castro," says Donald Gregg, president of Faber Coe & Gregg, a leading New York cigar firm, "but if he's used to smoking Havanas, he's not going to be too keen about changing to something else."

There is fairly good news, though, for Havana smokers. Barring another sudden move by Washington, or a gesture of pique by Cuba's cigar-chomping Fidel Castro, Havana lovers in the U.S. can count on a plentiful supply of their favorite stogies for some months to come. As recently as last April, stocks of Havana filler in U.S. warehouses were at a record 42 million pounds, enough for a year at the current rate of consumption.

Added to that, there were few indications of any hoarding by Havana smokers, who have been puffing away at the Cuban leaf at a rate of nearly 450 million cigars a year, 6% of total U.S. cigar consumption.

Actually, it seems that some Havana smokers are already making the supreme sacrifice for patriotic reasons. "Sales of Cuban cigars have definitely decreased somewhat," says Gregg. "Other factors are at work too, but some people are clearly switching because they don't want to help out Mr. Castro." The catch, as U.S. buyers of Havana cigars are quick to point out, is that nobody has as yet invented an adequate substitute for Mr. Castro's product. —P.H.D.

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Here's a rack that's a must for all warehouses that store flat sheet materials. By eliminating the full-length stringers (except at the top and bottom levels where they serve as tie bars), valuable space is saved, thereby providing more productive storage space in the same area. The material is stored on a special pallet made of rugged, continuous welded square tubing. The pallet is supported on short non-bolting cantilever arms that can easily and quickly be raised to any level, on SLIDE-N-LOCK posts (see inset). Each upright frame has 3 posts so that the special tubular pallet is supported at 6 places, assuring maximum stability and a greater safety factor. Another American money-saving, space-saving contribution to modern, efficient warehousing.

Notice how the fork guides under the pallet occupy the space where the stringers would normally be.

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- *One way to save selling time: aim TV sales spiels at salesmen and dealers in their homes.*

Drive for Sales

SINCE the days of the drummer, businessmen have looked to the salesmen who trek through their offices for hints of which way the business winds are blowing. But at least one interested observer of salesmen's habits thinks he has evidence that what salesmen do is a more reliable clue to the economic future than what they say.

Armund J. Schoen, president of Wheels, Inc., a Chicago auto-fleet leasing company, bases his contention on some years of analyzing monthly mileage reports from hundreds of companies. His theory: auto mileage figures are a good tip-off to swings in the business cycle, foreshadowing business conditions by from three to six months.

"When sales begin to get harder to make, salesmen drive longer to keep up their volume," Schoen says. "That was the picture in the last half of 1957 and the first eight months of 1960."

But when sales come easier, the salesman quits earlier in the day, runs up less mileage. So far this year, Schoen's figures bear out his theory. Mileage has dropped unmistakably with the business pickup.

ON THE RISE: the calling-all-cars approach to controlling salesmen.

Word from the Wives

While ardently wooing the housewife, food manufacturers have known for several years that husbands can't be entirely ignored. But if a new survey of 19,000 shopping wives is to be credited, he's a much more important fellow today than anybody realized.

More men than ever before are pushing supermarket carriages, reports Avery Label Co., Monrovia, Calif., which conducted the survey. And the men are not just supplying the motive power. Increasingly, they are taking the hazardous trip alone, making the brand decisions without advice from the little woman. Of the housewives questioned in the survey, 44% reported that their husbands regularly do the shopping and generally buy more than is on the list. More than half of these said that their husbands are confirmed bargain hounds.

Shopping chores are not the end of it. Surprisingly, 42% of the wives look to their husbands to do the cooking regularly. Four males out of five prepare at least one meal a day, and an unlucky 1% prepare all three. (About one third of all wives have full-time jobs.)

If these findings really signal a counterrevolution in the home, marketers may have to take a new tack in product development and the overall sales approach. It could well mean more emphasis on "masculinity" in packaging and point-of-purchase material, as well as on products designed to appeal to the husband.

But they had better not go too far. As he hovers over the sink in his new, "almost dominant" position, the male may be getting less rugged by the minute.

Cartons in the Slot

A new king-size vending machine will soon be dispensing cigarettes in supermarkets, shopping centers, drug stores, and other spots by the carton instead of by the pack. Introduced by Universal Match Corp., the new mechanical salesman will offer 36 different brand selections, accept both $1 and $5 bills (but no counterfeits) as well as coins, and return the proper change. Like other machines that are breaking the coins-only barrier, it is helping to move the vending business out of the impulse-buying class into the big money.

Riding the Megacycle

The trend to tighten control of field salesmen is bringing more business to companies that help management get more out of the sales staff. One of these, Radio Corporation of America, which sells a sizable chunk of the $100 million business spends each year on two-way radio equipment, expects the sharpest rise to come this

year from customers who are putting two-way radios into salesmen's cars.

The calling-all-cars approach to field salesmen, its promoters say, enables companies to save salesmen's time and clear up sticky details in a hurry by checking with management on the spot, thereby closing deals faster. Judging by the way the idea is catching on in such lines as insurance, real estate, and construction, they may have a point.

Insurance companies like the New York Life Insurance Company report that men equipped with two-way radio can speed up their appointment schedules and help their offices speed up the processing of claims. Home Real Estate and Insurance Co. of Rapid City, S.D. has found that its radio system, besides impressing prospects and improving sales control, has doubled selling time and halved car operating costs.

In the three years since the Federal Communications Commission established its Business Radio Service, business and industry have taken to the airwaves with a will. The latest (1960) nosecount by the FCC showed 19,000 different stations with a total of 149,000 transmitters—about twice as many as in 1959.

Thirty-Minute Commercials

In communicating with salesmen and dealers, management has long tried to reach them "where they live." But in the past few months this phrase has taken on a new meaning.

How do you bring dealers the good word about a new line of air conditioners without cutting into their selling time to do it? This was the problem Westinghouse Electric Corp. faced. Its solution: regular television broadcasts during off-hours to reach appliance dealers right in their homes.

Although the early morning half-hour broadcasts cost about 10% more than traditional dinners for dealers, Westinghouse thinks they are worth the price. For one thing, "attendance" is higher; bad weather doesn't keep anyone away. Unlike dinner meetings, the broadcasts aren't limited to dealers within range of metropolitan areas. What's more, dealers who don't yet handle the company's line, as well as Westinghouse dealers' own salesmen, are exposed to the broadcasts. And the spill-over of the sales message to the public does no harm at all.

TO REACH its dealers where they live, Westinghouse Electric sponsors early-morning telecasts. Results: higher "attendance" and extra public exposure.

To make the most of the programs' impact, the company followed up with a blitz campaign of phone calls and salesmen's visits.

Results were excellent. In one area, southwest Ohio, the company found that dealers' orders for the new line were twice as high as usual. This is important, since the market for room air conditioners is one that depends primarily on low prices, and hence on long, economical production runs.

Other companies—Sears, Roebuck & Co. and CIBA Pharmaceutical Products, Inc.—are using regular television channels to get their messages across to salesmen. And the top brass at Brown & Williamson Tobacco Corp. is now using telephone conference calls to explain top-level decisions to salesmen in their homes.

Crossing the Bar

One of the last refuges from the selling spiel—the corner bar—may soon be resounding to recorded liquor commercials. If the promoting company's plans work out, special records sandwiched in among juke box platters will be booming out a one-minute sales message every half hour. Even a steady diet of dimes will not choke off the sales messages, though it will be able to delay them for as long as six minutes.

Its promoter, Audio Advertising Co., hopes that the new medium will lift the spirits of the distilling industry, whose sales pitch is kept off the airwaves by a self-imposed broadcasters' ban. They will charge $3.50 per juke box per week for each commercial, splitting the fee with both tavern owners and juke-box operators. Records will be changed every thirteen weeks.

How will the tavern customers like it? During the early days of television when bartenders ruled the channels, commercials went over without much resistance. But even without commercials, some customers are already beginning to crave a respite from the juke box's din. Quite a few, in fact, are currently popping their dimes in the slot to play a five-minute record purveying nothing but silence. Still Audio Advertising is betting that the opposition will be light. As for the bartenders, nobody is asking their opinion. Worldly lot though they are, they may yet be driven to drink.

To Lick a Sticky Problem

Trading stamps may be a boon to supermarket sales, but they have done nothing to break the bottleneck at the checkout counter. Surveys show that about one eighth of checkers' time is spent dispensing and accounting for trading stamps—725 billion of them this year. And despite all efforts to keep track of stamps, leakage often runs to 10%, no joke to supermarket operators who exist on paper-thin profit margins.

Now in the testing stage, new devices that do for trading stamps what cash registers have done for cash promise one answer to this problem. But American Premium System, Inc. of Dallas, Texas has an even more

TAKE THE BLINDFOLD OFF!

Automation in record keeping represents a big step forward in business efficiency. But are you sure that your new data processing system is not wearing a blindfold?

Conventional methods of translating records into machine language for computer input leave much to be desired, if no systematic plan is used to upgrade the quality of the input. Remember, the machine cannot improve on the accuracy of the material which you feed it. What are you doing to eliminate the incidence of error?

The New Era Data Scanning System is the only optical page reading method which guarantees maximum accuracy. It is able to assure a unit record accuracy of better than 99.9%. We have added to the most modern scanning system, 49 years of **human experience** and know-how in handling and preparing business records.

We invite you to visit our plant for a demonstration of this almost 100% error-proof system. A letter will bring you further information without delay.

data scan

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it takes more than posts and shelves to produce shelving value!

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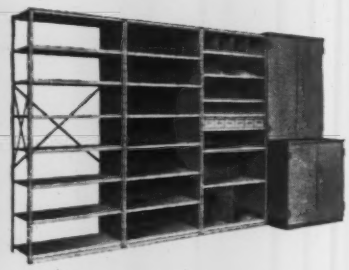
IN BORROUGHS Steel Shelving you get quality materials and rugged construction for long, durable service. You also get "engineered design" for simple, economical assembly and quick, easy adjustability. Borroughs' many years of specialized shelving experience have developed such features as Borroughs' exclusive Shelf Support Brackets for fast shelf adjustability without nuts or bolts — complete unit assembly without special tools — and many more important advantages that are fully described in Borroughs' fact-filled catalog. It will pay you to learn more about Borroughs Steel Shelving.

this feature alone should swing you to Borroughs!



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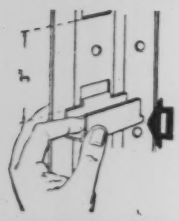
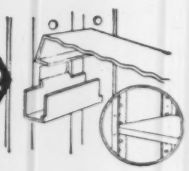
Represented in Sweet's Catalog, Plant Engineering File 4G BO



Insert 4 shelf support brackets . . no fumbling with studs, bolts, nuts or lock washers.

Tilt shelf into support brackets . . . and shelf is ready for loading.



BORROUGHS MANUFACTURING COMPANY OF KALAMAZOO

A SUBSIDIARY OF THE AMERICAN METAL PRODUCTS COMPANY OF DETROIT

3064 NORTH BURDICK ST. amp® KALAMAZOO, MICHIGAN

YALE & TOWNE

293rd Quarterly Dividend

37½¢ a Share

Payable: July 1, 1961

Record date: June 15, 1961

Declared: May 25, 1961

Elmer F. Franz
Vice President and Treasurer

THE YALE & TOWNE MFG. CO.
Lock and Hardware Products since 1868
Materials Handling Equipment since 1875
Cash dividends paid every year since 1899

Have You a New Address?

An early notice of change of address is helpful—it is usually necessary to have three weeks' notice. Please include the old address and your postal zone number and send the information to the Circulation Department.

DUN'S REVIEW and Modern Industry, 99 Church St., New York 8, N.Y.

radical idea. Its solution: replace the stamps with plastic "credit cards" that will be used with an imprinter to record the equivalent trading stamp value of goods purchased by customers.

Hearts, Flowers and Robots

To the long list of retailers already scarred by the sharp tooth of outside competition, another victim may soon be added. But unlike the hardware, drug and variety store owners who have the supermarket to blame for their battle wounds, greeting card retailers are facing some truly inhuman competition—a hard-hearted robot that goes where the customers are.

To Standard Packaging Corp., the maker of the new vending machine, a good share of the $600-million greeting card market seems well within reach.

About 80% of all cards today are sold in greeting card shops, stationery stores, book stores, gift shops, and department stores, with drug and variety stores accounting for the rest. In all these outlets, sprawling display racks take up costly space. Customers thumbing over the cards soil 15% of them so badly they cannot be sold. Worse still, pilferage is a major headache—and constant policing of the racks sends labor costs soaring.

The new machine does away with all these problems at a stroke. Installed in hotels, hospitals, airports, supermarkets, and many other high-traffic spots, it will offer the customer a selection of 160 cards, individually packaged in plastic, at a standard price of 25 cents. —T.K.

AT THE DROP of a quarter, the customer gets choice of 160 greeting cards.

information about

Illinois Waterways

for industrial site seekers

One of the fastest growing industrial areas in the U. S. today is the area surrounding the Illinois Waterway facilities. The reasons are simple. Manufacturing and marketing operations demand efficient, economical transportation...of raw materials into the plant, finished products to the market place. Few locations offer the excellent transportation that is found in the Illinois Waterway area. Depending on the nature of the product that you ship or receive, you can select from a heavy concentration of rail, pipeline, barge or truck lines to move materials throughout the nation. And, through the Rock Island facilities at Port Chicago, you can move goods to the ends of the earth.

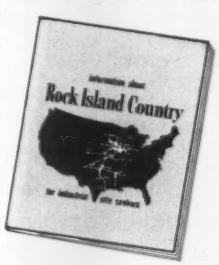
The Illinois Waterway area has other industrial advantages that make it particularly desirable. Illinois has water... plenty of it for industrial and consumer use. Rivers, lakes, reservoirs, underground supplies can supply 43 billion gallons of water every day in the year, more than four times the current usage. Illinois has power...32.5 billion kilowatt hours of it, some of it produced by the largest atomic power plant in the U. S. in Dresden, Illinois. Illinois has abundant resources... coal, oil, limestone, sand and gravel abound.

There are many favorable community advantages to the Illinois Waterway area. Illinois has low taxes. There is no individual or corporate income tax, and no state tax on real estate. And many communities along the Illinois Waterway will be happy to help you finance your plant through the issue of community revenue bonds.

There is ample labor along the Illinois Waterway. And labor relations are excellent. In the most recent four year period, time lost by work stoppage in relation to estimated working time in Illinois was 30% below the five other leading industrial states.

The Rock Island has many choice industrial sites available on or near the Illinois Waterway. There are other exceptional locations along Rock Island tracks in Port Chicago with access by barge to the Waterway, or through the St. Lawrence Seaway, to the ends of the earth. If this information about this fast growing area interests you, get in touch with us for more specific details. We'll work with you in strictest confidence.

INFORMATIVE BROCHURE describes 12 key markets in Rock Island Country. This fact-packed "Rock Island Country" booklet, as well as further details on industrial sites in the Illinois Waterway area, may be obtained by writing on your company letterhead to P. J. Schmidt, Manager Industrial Development, Department 174, Rock Island Lines, LaSalle Station, Chicago 5. The brochure and supplementary information will be mailed in a plain envelope marked "Confidential."



Rock Island

ROCK ISLAND LINES

The railroad of planned progress
...geared to the nation's future
Chicago 5

Stern's, 42nd St., New York City

Cool come-on to greater sales

Smart retailers (like Stern's, a famous New York department store) know air conditioning creates a better *buying climate*. Smart businessmen know that air conditioning also creates a better *working climate*.

Air conditioning can be a profitable investment for any business — retail, office or manufacturing. Comfortable shoppers stay longer, buy more. Comfortable employees turn out more work, commit fewer mistakes. Air conditioning also helps reduce absenteeism and personnel turnover.

Today's complete comfort-conditioning systems pay their way all year long. They adjust to whims of weather . . . regulate humidity perfectly . . . keep air clean, temperatures ideal, workers working. That's why air conditioning is fast becoming a necessity for all businesses. Contact a leading air-conditioning equipment manufacturer or your local contractor today for a cost analysis.

Note: Most air-conditioning systems are charged with Du Pont Freon* refrigerants, known for their safe, trouble-free performance.

*Du Pont's registered trademark for its fluorocarbon refrigerants.

BETTER THINGS FOR BETTER LIVING . . . *THROUGH CHEMISTRY*

DU PONT
REG. U.S. PAT. OFF.

AIR CONDITIONING—THE CLIMATE OF EFFICIENT BUSINESS

International Markets

ALEXANDER O. STANLEY

HOW TO put more punch into the National Export Expansion Program is a problem that occupies more than one Washington official. They are taking strongly to heart many of the complaints that U.S. businessmen make about the Government's lack of practical help in foreign markets.

One result of their new approach: a course on international trade expansion for future Foreign Service officers, under the joint sponsorship of the State and Commerce Departments. The 70 men who have already taken the course studied the latest techniques of doing business overseas and the broad patterns of U.S. international trade. Coached by experienced businessmen as well as by government administrators of our foreign political and economic development programs, the future FSOs learned the intricacies of market research methods, product pricing, sampling problems, channels of distribution—in fact, all facets of international operations.

The result, say the federal officials in charge, will be a new type of Foreign Service officer on post overseas, one trained in the hard realities of doing foreign business and ready to give practical assistance to the U.S. executive who wants to go international.

Yet the FSOs, themselves, say that businessmen, too, have much to learn if they are going to expand their sales abroad. When U.S. Commercial and Foreign Service officers stationed in sixteen Far Eastern countries got together in Hong Kong recently, they compared experiences. What emerged from their discussion is a picture that should jolt U.S. marketers, for it reveals a recurring pattern of confusion, half-hearted sales efforts and neglect.

These attachés say, for instance, that very few American businessmen ever bother to explore the markets in which they want to place their products. Unless the market is a large one, such as Japan or Hong Kong, they will not spend the time or the money, no matter what the potential. Two Far Eastern countries, in fact, had fewer than five business visitors from the U.S. during all of 1960.

When they do arrive, many executives fritter away their time and expense accounts digging out preliminary data they could have unearthed at home. This primer type of market orientation overloads the already heavy calendar of the FSO, who could be spending his time on the hard core of the marketing problem.

The whiz kids

Similarly, the executive who comes for a "comprehensive" 24-hour look at a potential market is being penny-wise and pound-foolish. He is bound to miss real profit opportunities in such a hurried appraisal, warn the FSOs.

Even so, these instant surveyors are not so unpopular as the "no-shows." Rude, or at best thoughtless, there are far too many of these casual executives who cause embarrassing problems of rescheduling, especially when important local businessmen and government officials have been lined up for face-to-face interviews. Their discourtesy is losing business for all U.S. marketers overseas.

Even the executive who arrives on schedule, and stays long enough to do a thorough job of exploration, may miss the boat when it comes to solid accomplishment. For one thing, "follow-through"—the capstone of U.S. domestic marketing methods—too often is given the brushoff in overseas trade and investment. By the time a U.S. firm gets around to making its bid, the business has usually been grabbed off by a more aggressive foreign competitor.

And so long as cash-on-the-barrelhead continues to be the U.S. exporters' preferred term of sale, they are going to suffer another competitive disadvantage. Foreign companies offer liberal credits in order to capture accounts, a technique that works effectively because many importers overseas operate from a narrow base of working capital. They cannot tie up their funds against future deliveries which are sometimes weeks in transit.

The expanded credit insurance that the Export-Import Bank of Washington is now offering should encourage U.S. companies to give easier terms of sale abroad. Still another roadblock to be considered is the high level of freight rates on goods from the U.S. For despite longer transit lines, most shipments from Europe reach the Orient at lower rates, and

- *Are U.S. businessmen poor scouts? That's what our commercial attachés abroad are saying.*
- *Treaties make dull reading, but alert executives scour the fine print for protection.*
- *Rumored taxes and political tempests can't keep U.S. overseas investments down.*

BELGIUM

A STRONG
MANUFACTURING BASE IN
THE EXPANDING
EUROPEAN MARKET

BELGIUM

Location in Europe's
most heavily
industrialized area

BELGIUM

Europe's largest pool
of available skilled labor
and technicians

BELGIUM

Government credits
and tax inducements

BELGIUM

Additional incentives
by regions
and municipalities

BELGIUM

A business climate
which has prompted
350 American firms
to establish in Belgium

For information about

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50 ROCKEFELLER PLAZA,
NEW YORK 20, NEW YORK
or
MINISTRY FOR
ECONOMIC AFFAIRS
23 SQUARE DE MEEUS,
BRUSSELS

U.S. manufacturers find this disadvantage far harder to overcome than the price differential between well-designed, high-quality American-made goods and those from Europe. The hoped-for solution: heavier cargo bookings on outbound U.S. shipments, which could pave the way for a cutback in rates to levels more in line with those of foreign carriers.

Having drawn up their indictment of U.S. management attitudes towards overseas markets, the Foreign Service officers who met in Hong Kong came up with some suggestions for a new approach. Among their ideas:

- Management recognition that international operations require concentrated effort and long-range planning. The export market, warn the FSOs, cannot be just a dumping ground for domestic surpluses.
- "Package plants" for countries where new industrial programs are just starting up. (Part of the "package," they add, should be an adequate training and servicing program.) Thus far, our foreign competitors seem more interested in selling this type of installation, and Americans are losing good business because of their neglect.
- Equipment that is free of gadgetry. This lowers the price tag, while at the same time underscoring simplicity of operation.
- More centrally located business libraries, with up-to-date publications, catalogs and descriptive literature.
- And, finally, a switch in focus from the big, glamorous overseas markets that yield immediate returns to the smaller but profitable areas that require long-term cultivation.

Weighty, but Worthy

Commercial treaties, like insurance policies, make dull reading. Yet they are a shield of protection that should be known to the executive doing business abroad.

Formally known as treaties of Friendship, Commerce and Navigation (FCN), they secure some important rights for U.S. businessmen in the fifteen countries where they are in force. These are: France, Germany, Greece, Italy, Ireland, the Netherlands, Nicaragua, Ethiopia, Iran, Israel, Muscat and Oman, Taiwan, Japan, Korea and Pakistan. Six other treaties, signed but not in force, involve Belgium, Denmark, Colombia, Haiti, Uruguay and Vietnam, and there are older, similar agreements in effect in 21 other countries and in every major trading area of the globe, ranging from the United Kingdom to minuscule Brunei.

Under the provisions of these agreements, American businessmen are guaranteed the right to:

- Engage in a wide range of commercial and industrial operations on terms equal to those enjoyed by citizens of the FCN countries.
- Manage the affairs of a local branch or subsidiary under conditions equivalent to those accorded business firms of local origin.
- Hire and (subject to local labor laws) fire local personnel.
- Enjoy protection from discriminatory taxation.
- Repatriate capital and earnings, subject to existing exchange controls.
- Avoid the hazards of unfair competition from state-controlled enterprises. If the U.S. firm has to compete with government-run business, the treaties provide for equal treatment.

Commercial treaties reach a long way back into history. The first was drawn up in 1778 between France and the U.S., but the treaties, or revisions of treaties, concluded in the last fifteen years are the most significant. One key clause in the new treaties is the guarantee against expropriation. Though it may not prevent expropriation, it does provide for just compensation if the local government concerned gives way to nationalistic pressures.

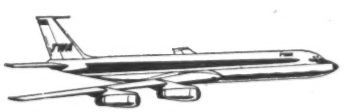
Also strengthening the bonds of international commerce is the General Agreement on Tariffs and Trade (GATT) in which the U.S. participates as one of 38 member nations under multilateral tariff agreements. There are also numerous other conventions that establish reciprocal protection in the areas of taxation, patent protection, arbitration and in situations peculiar to the air transport and shipping industries.

One definitive study of the subject, *Rights of Businessmen Abroad,* was published recently by the U.S. Council of the International Chamber of Commerce. Written by Dr. Harry C. Hawkins, with the cooperation of Columbia University's Parker School of Foreign and Comparative Law, this report reviews the major characteristics of all the treaties and agreements. It also provides a checklist in grid form showing the combinations

Prison for your profits!

Warehousing costs average 2% of gross sales. Cut these costs with fast TWA Air Freight ... ship direct from plant to outlet. Exclusive, one-carrier service between 70 U. S. cities and 23 major trading centers abroad with TWA SuperJets and Jetstream Express flights. Dependable, world-wide schedules no other airline can match. Almost anything goes TWA Air Freight ... and more often than not, for less than consignment by surface transportation.

How modern is your distribution system? Look again... domestic and international air freight rates coming down! Call your nearest TWA Air Freight office today!



TWA
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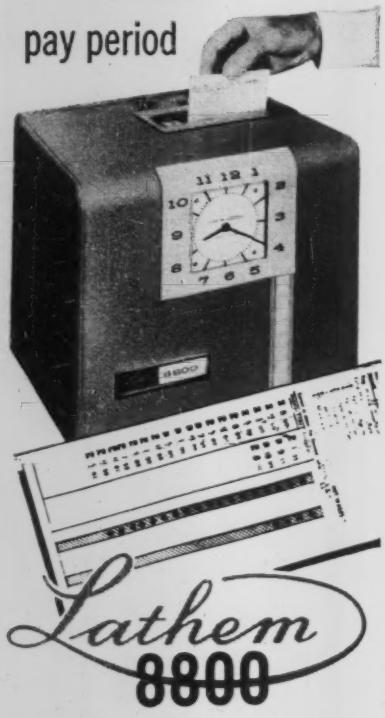
For free booklet on how to increase sales and profits, write S. C. Dunlap, Vice President, Trans World Airlines, 380 Madison Avenue, New York 17, N.Y.

a new consecutive

time recorder

for any length

pay period



Weekly, two-weekly, semi-monthly, even monthly payrolls can now be kept on a single time card . . . using the Lathem 8800. For this fully automatic Lathem 8800 records in one or two columns, as you prefer. This exclusive feature doubles the number of registrations on a single side of the time card. And there is a Lathem time card available to fill your specific requirements. Write, wire or call today for complete information.

LATHEM

LATHEM TIME RECORDER CO.
98 Third Street, N.W., Atlanta, Ga.

GENTLEMEN:
Without obligation, please send me full information, including prices, about the completely automatic 8800 Time Recorder.

NAME_____
COMPANY_____
STREET_____
CITY_____ ZONE___ STATE____

of 23 basic treaty rights and commitments as they apply in fifty countries.

Because these various agreements set the ground rules for overseas operations, and since new agreements are in the offing, it is important to keep a close watch on this facet of international operations.

No Stop Sign Here

Despite the bleak outlook on tax deferral of foreign subsidiary earnings and the mixed picture in politically sensitive areas, U.S. companies are going ahead with their investment programs overseas. That is the finding of a report from the National Industrial Conference Board.

In the last quarter of 1960 capital appropriations earmarked for overseas operations were up 8%. Since the lead time on such budgeting is usually six to nine months, this increased capital outflow is expected to show up soon in the 1961 investment statistical trends.

Transportation equipment, non-ferrous metals, electrical machinery and non-electrical machinery are slated for larger overseas investments. At the same time, U.S. canned food companies are going abroad in droves, opening and expanding operations in Italy and the United Kingdom to get a foothold in both the European Economic Community and the European Free Trade Association.

Something new in overseas investments is the General Foods Corp.'s installation of prefabricated plants in France and Japan to make instant coffee. And more instant plant "packages" are being readied for shipment to other locations. General Foods, which claims this departure into prefab plants as a "first," says the big advantages in this technique are reduced start-up time and costs, elimination of production kinks before installation, and more flexibility in planning since the plant can be moved easily to another location if necessary.

Closing the Steel Gap

New steel mills in the European Economic Community, as well as converted and expanded old mills, are pushing up Western Europe's ingot capacity at a fast clip. EEC crude steel output hit 80 million tons last year, is expected to top 91 million tons in 1961. A look at U.S. output figures—99 million tons in 1960—shows that the steel gap is being closed with a rush.

Although comparisons still reveal a sizable spread of some 32 million tons between Western Europe and U.S. steel plant potentials (U.S. capacity is roughly 150 million tons), American steelmakers are worried about the improved, as well as increased, steel output. Many of them are even visiting European industrial complexes, on the hunt for tie-ins with their erstwhile competitors.

Meanwhile, the EEC keeps accelerating its program to pull down tariff barriers. It has announced another 10% cut effective at year-end, which will put the Common Market three years ahead of schedule and adds up to a thumping 50% cut in tariffs since 1959. What is behind this fast pace? Simply put—prosperity. Business is good and continues to look good for the months ahead.

This new cut adds to the pressure to join the EEC now being exerted on the United Kingdom from many directions. The U.K.'s wavering export indices, the worry that British industries will lose their uncertain foothold in Continental markets, may force a compromise in agricultural products protection—the root of most of Britain's reluctance. If the U.K. joins the EEC, watch for other members of the Outer Seven to follow suit.

But even as the image of a single Western European Market becomes ever more sharply defined, niggling problems grow more apparent. Customs inspection on EEC members' borders continues at a pedestrian pace, weighed down by tedious paperwork. At Jeumont, on the French-Belgian border, some 1,000 freight cars come to a grinding halt each workday of the month. Here they sit on sidings for from three to thirty hours, waiting for paper clearance. Even the heavily traveled Rhine barge route between the Netherlands and Germany has traffic jams.

The time is spent not so much in checking over the shipment to fix the tariff rate as in figuring out such things as compensatory taxes on turnover, or value added by manufacture. Here, different schedules apply to the different products, and these traffic jams may well crop up even after all the EEC internal levies have been eliminated. The only solution seems to be a common compensatory list of taxes for all the EEC members. END

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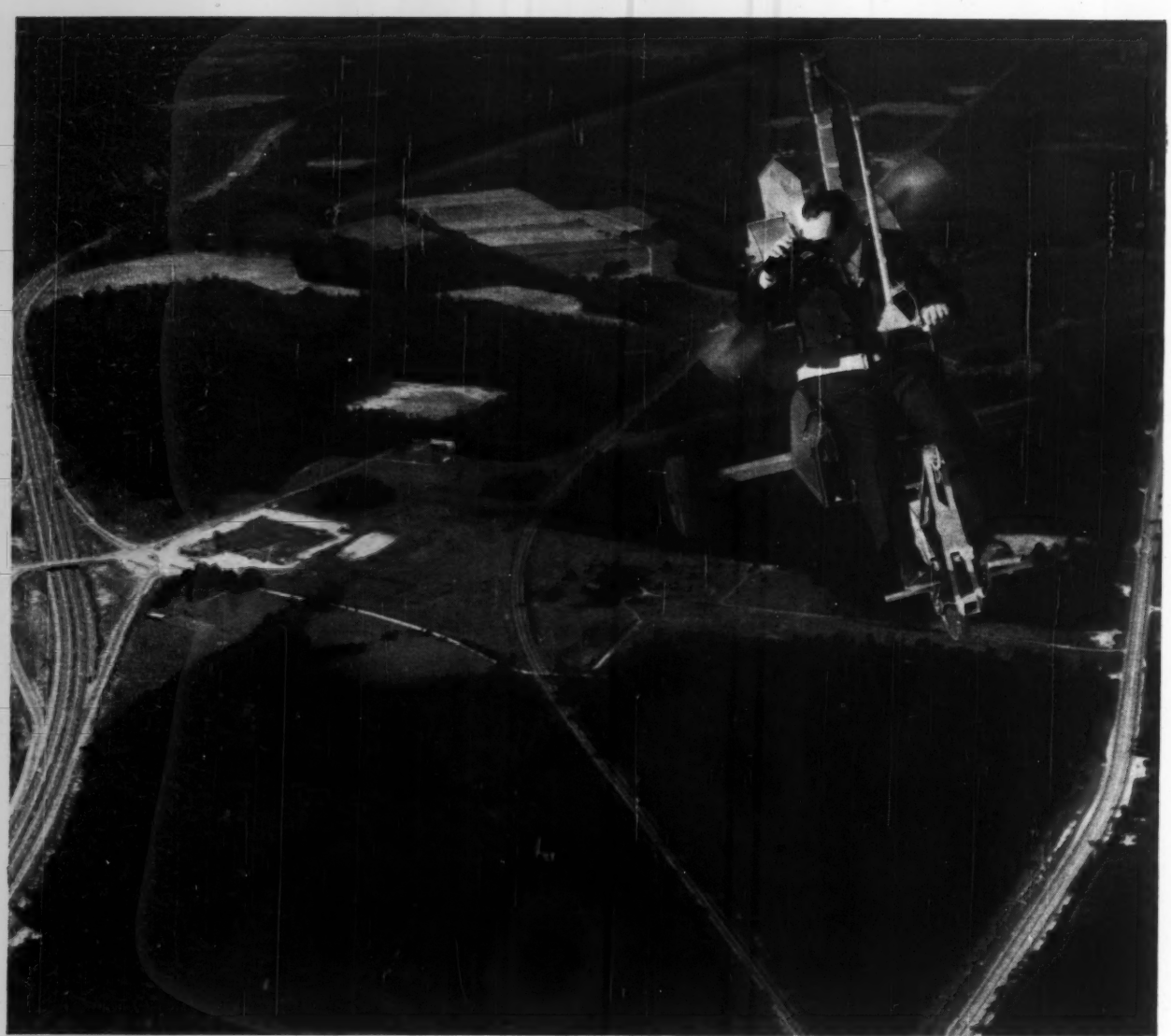

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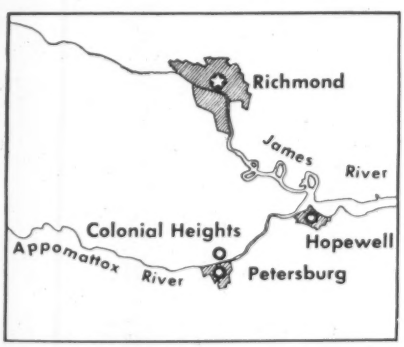

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THE WINDOW WASHER, the truck driver, the janitor, the ditch digger, the watchman and 3 million of their unskilled and semiskilled counterparts in industry are giving management a multimillion-dollar headache. At issue is the widespread custom of "contracting out." Many a thrift-minded company is spinning off jobs to outside contractors that its employees could do, but at higher cost. This has meant a drop in employment at many organized plants, and the big unions—the steelworkers, the auto workers, the machinists and, inevitably, Jimmy Hoffa's Teamsters—have taken up battle stations in defense of these low men on the totem pole.

The case of Youngstown, Pa.'s Holub Iron and Steel Co. is typical of what is happening all over the nation. Holub owned and operated several trailers to haul its products to customers. Then one day a salesman for a trucking company came in and showed Holub how it could save a substantial sum by letting an outside firm do the work. Management compared costs, and agreed.

But with an outside trucker doing the work, there was no need for so many drivers on Holub's payroll. The company called in the Steelworkers Union, which represents the drivers, told it some of the men would have to be let go, then went ahead with the subcontracting deal.

The union president, however, shook his head at management's idea. And when the company was not impressed, he hauled it up before an arbitrator. "These jobs are covered by the contract," the union said, in effect. "We'll have to sit down and thrash the whole thing out. And what's more," the union argument continued, "by eliminating these jobs and subcontracting the work, the company is weakening the union and losing members for us. What is to stop it from doing that with other jobs?"

Management took its turn before the arbitral bench. The gist of its case:

- A union contract is not a strait jacket. The company had bargained about hours, wages and working conditions. It made no promise that every job would be retained for the life of the agreement.
- The decision to subcontract had been made on the basis of what was good for business. The union had seen the comparative costs. It could see for itself that outside people could do the work for less.
- These are competitive times and when there is an opportunity to save money, management must take advantage of it.

Arbitrator Harry J. Dworkin, a pro at unscrambling labor-management disputes, pondered the issue and then rendered his judgment. "The company has established," said Dworkin, "that the cost of its truck-hauling operation was excessive and was not feasible in light of business conditions. Under these circumstances, the company was within its right to make a business decision in the interests of economy and efficiency. Therefore, management is free to discontinue part of its operation, or to change its method of doing business, or to subcontract out."

The managerial "hurrahs" which greeted the Dworkin pronouncement were soon drowned out by the din of contrary opinions from other industrial referees. Bridgeport Brass Co., Bethlehem Steel Co., Electric Autolite Co. and New Haven Gas Co. all had similar cases arbitrated. And each of them was told that it could not eliminate jobs unilaterally. The union, these referees said, must be allowed a voice in the decision to subcontract.

Sometimes a subcontracting grievance does not even include the elimination of jobs. The United Auto Workers, for example, took the Weatherhead Co. to task for calling in an outside contractor to paint five machines. The company had many of its own workers on layoff, argued the union, and these men must be called back for the painting job. But when management replied that it was cheaper to have an outsider do the work, an arbitrator declared this reason enough for not recalling the laid-off employees.

Home-made or farmed-out?

The delicate decision of "make or buy" involves another aspect of subcontracting. Is it cheaper to manufacture your own parts or to farm out the work to plants more modern and specialized? Steel companies face that problem every day, since 80% of their 800 open hearths are obsolete. They must decide whether to ship their pig iron or slag to companies which have already streamlined their facilities or to budget millions for integrated processing. Similarly, a textile company must decide whether to modernize its dye house or subcontract to an independent dyer.

To Bradford B. Smith, chief econ-

▶ *Will farmed-out work be the "sleeper" in this summer's contract talks?*

▶ *Walter Reuther: the rumors have it that labor's Golden Boy has lost his glitter.*

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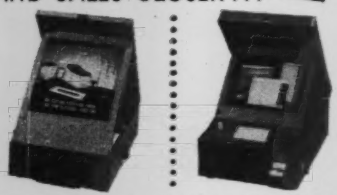

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omist for U.S. Steel Corp., union opposition to subcontracting in the steel industry (a key issue in the last steel strike) amounts to "insistence on the perpetuation of inefficiency."

But Ben Fischer, attorney for the Steelworkers Union, is vociferous in his defense of the labor position. "Unilateral power to subcontract is the power to destroy," says Fischer. "Our consent to subcontracting decisions is essential to the union's survival."

General Electric Co. also has had a running hassle with its unions about farming out work. GE has over 45,000 suppliers, vendors and producers on its subcontract list. Almost half of its billion-dollar business in government work is parceled out to smaller companies with specialized manpower and facilities.

It cuts two ways

GE's argument: for every piece of business it farms out, an equal amount of business—or more—is "farmed in."

"Thousands of General Electric employees would have no jobs today," the company reports, "if it were not for the fact that other companies subcontract work to General Electric. Some departments of the company, by their nature, are essentially nothing but subcontractors doing work originating outside the company. If these other companies did not subcontract, a large part of General Electric business would not exist at all.

"If this kind of subcontracting were cut off or severely limited," GE continues, "the effect on the employment security of General Electric employees would be devastating. Subcontracting is a way of life for most of us. For business, it is a way of keeping costs down and staying competitive."

"But," replies James Carey, president of the International Electrical Workers Union, "subcontracting is *also* a way of weakening the union by eliminating jobs. It is just too important an issue to be left to the unilateral decision of management."

Over half of the nation's union pacts are up for renewal during July, August and September, and subcontracting is bound to play a key role in the negotiations. With management running cost-scared despite an advance in the economy, company bargainers will press for the freedom to spread work among outsiders who can do certain jobs better or cheaper. But the unions, already facing a decline in membership, are not going to take kindly to management's point of view.

Subcontracting is, of course, a hardy perennial at the bargaining table. The issue has never been finally resolved for the simple reason that neither side has been willing to bind itself to a specific formula.

The compromises that have appeared in a few contracts are very hedged. One company agreed to a clause on subcontracting but made sure to leave itself enough elbow room to do what it thought best in the future. "The company, *if practical*, will make every reasonable effort to use its available workforce and equipment in order to avoid having its work performed by outside contractors," this clause reads.

But in general, management strategy has been to make no commitments in the union pact, on the grounds that subcontracting is a management prerogative and cannot be tampered with. Labor has been unwilling to make any concessions because it resolutely holds that once a company has agreed to bargain about jobs, those jobs cannot be eliminated by farming out the work.

So far, the unions' attitude has not slowed the big trend to subcontracting. But with more and more jobs disappearing in the wake of automation, labor is determined to anchor all the jobs it can. So, when the question of subcontracting comes up this summer, the storm clouds will be hovering over the bargaining table.

Whither Reuther?

"Watch out, Reuther. The job you save may be your own."

This picket sign, which recently greeted delegates to the United Auto Workers' policy meeting, sharply summarizes the career problem of its president, Walter Reuther. Once the *enfant terrible* of the labor movement, Reuther enters negotiations with the Big Three of autodom amid internal union rumblings.

Opposition has not jelled into any projected slate of candidates to run against Reuther at the next UAW convention. That will be determined by how well he fares in the current negotiations. But several developments have eroded Reuther's leader-

ship in recent months. Among them:

- Increasing coldness between him and AFL-CIO President George Meany. And Meany has not gone out of his way to heal the rift, either. This leads some observers to believe that Meany no longer considers Reuther the big wheel he once was in the hierarchy of union strategists.
- The failure of the Reutherites to come up with a "fighting" bargaining program. Reuther and his aides have decided to face the auto industry with "problem areas" for joint consideration, not with a set of "hard and fast demands."
- Reuther's alleged loss of face when President John F. Kennedy and Secretary of Labor Arthur Goldberg both came out against shorter workweeks. This put a gaping hole in the Auto Workers' bargaining package.
- Reuther's inability to get an agreement from Ford that it will not import lower-cost parts for its new small car. Substantial buying overseas could mean more job losses in the U.S. for UAW members.

To auto company negotiators, these developments add up to one thing. Reuther will be a hard bargainer this year in an effort to restore his leadership. Not lost on the industry is the fact that the union is beefing up its finances. The UAW has been converting a sizable part of its holdings into liquid assets, and strike funds now stand at $39 million.

Overcast on Overtime

A precious management prerogative —the right to schedule overtime—is under attack. The principal opposition comes from laid-off workers who resent the overtime assignments given to men who have jobs.

A group of jobless recently picketed the General Motors Corp.'s Fisher Body plants when management assigned one hour of overtime to 1,000 employees. "When so many workers are idle," argued the pickets, "the company should recall men laid off instead of giving extra time to those with jobs."

GM retorted that although overtime costs extra money, because of time-and-a-half provisions in con-'racts, recall procedures are even more expensive if the overtime scheduled is for short duration. And GM is sticking to its guns.

What will the unions do about overtime? Some of their policy makers

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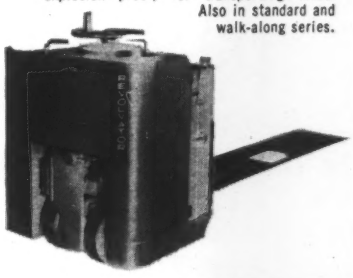
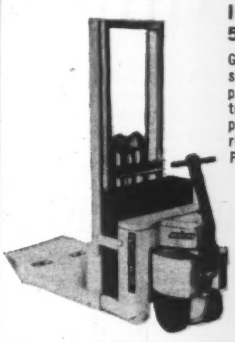
INDEX No. 54.11

Go-Getter low-lift platform model (ride-on explosion proof) for transporting skids. Also in standard and walk-along series.



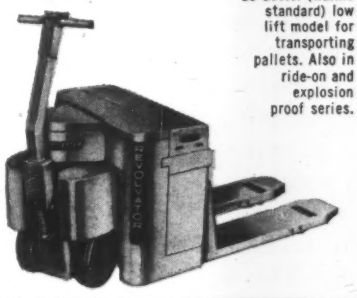
INDEX No. 52.12

Go-Getter (Walk-along standard) high lift platform model for transporting and high piling skids. Also in ride-on Explosion Proof series.



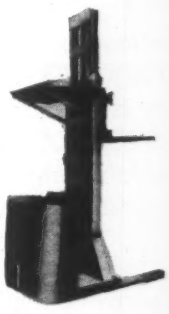
INDEX No. 52.21

Go-Getter (walkie standard) low lift model for transporting pallets. Also in ride-on and explosion proof series.



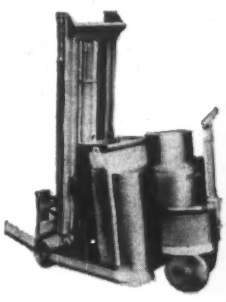
INDEX No. 53.22

Go-Getter (stand-on standard shown with overhead guard) high fork lift straddle model for narrow aisle tiering of pallets or skids. Also in walk-along and explosion proof series.



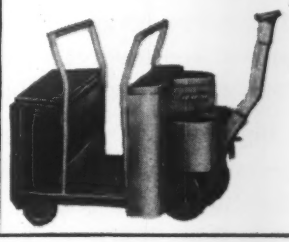
INDEX No. 55.23

Go-Getter (walk-along explosion proof) counterbalanced high lift fork model for tiering skids or pallets. Also ride-on and standard models.



INDEX No. 52.30

Go-Getter (Combination walk-along rider) towing tractor. Also in walk-along only and standard and explosion proof ride-on series.



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are plugging for a contract clause which would prohibit management from scheduling more than a week of overtime if there are laid-off workers available.

Another management prerogative that is getting union attention is its right to close down plants because their operations are outmoded.

With the coming of automation, it is often more costly to modernize than to build a new plant and install new equipment. But the Packinghouse Workers Union has now come up with a proposal that management go slow on plant closings.

Actually, management has been using its own formulas to cushion the impact of technological developments. One way has been to pace the installation of new equipment with the normal erosion of the workforce. Every year employees retire, quit, are fired. By not hiring replacements, a company can modernize without laying off. At Quaker Oats, for example, managers who order labor-saving equipment must include in their request for authorization an estimate of the impact the machines will make on training, displacement, transfers and seniority.

In Pursuit of Pirates

Business conventions have been so invaded by pirates—manpower pirates—that many companies think twice before they send an engineer, scientist or technician to attend these presumably educational confabs. Some firms have been known to lose from 5% to 20% of their professional people in the fortnight after they turned in their expense accounts.

At some meetings the speeches, seminars and technical papers play second fiddle to a galaxy of high-pressure "man-marketing" hoopla, ranging from outright pitchmen who harangue the visitors in "exhibit" booths to wining and dining in swank clubs.

As a result, a group of executives is now trying to draw up a code of ethics to curb recruiting—open or clandestine—at technical conventions. The plan is to get a promise from the major professional societies to ban all interviewing, hospitality suites and advertising before and during the meetings. Purpose: "To restore dignity to professional conferences and improve the exchange of technical information which is the basic purpose of the conventions." END

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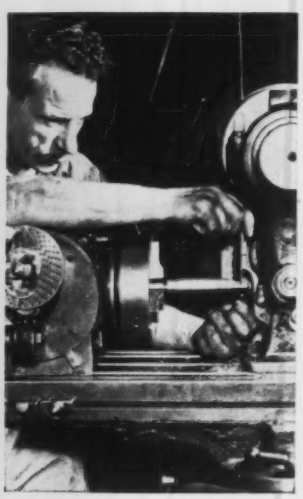

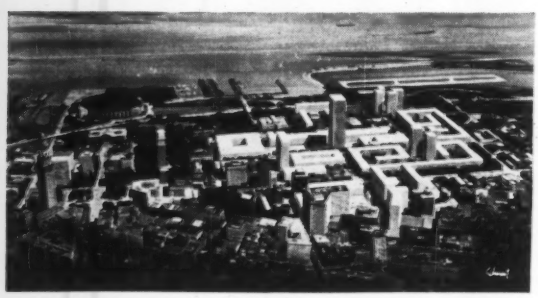

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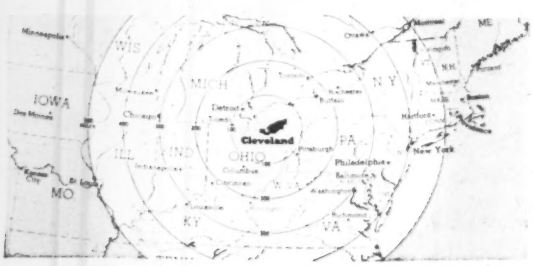

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The intricate process of molding raw materials into familiar consumer products is old hat to executives, but it has a continuing fascination for local residents and visiting out-of-towners. Catering to their curiosity many large companies roll out the welcome mat, invite the public behind the scenes for guided tours of the plant. Now this traditional hospitality, with a community relations payoff measured only in intangibles, has been given a new twist by the Ford Motor Co. at its Dearborn, Mich., plant.

It started when the company mulled over a way of "showing" its assembly line—the highlight of any tour—to throngs of visiting tourists who could visit Ford only in the evening or on weekends, when the plant is shut down.

To accommodate off-hour visitors, Ford decided to reproduce, in miniature, the full cycle of auto production. A 30-foot exhibit, faithful in every detail, was set up. The figures (above) and some 700 miniature autos actually move at the press of a button. A recorded narration, with authentic factory noises in the background, explains each step of the assembly operation.

The exhibit starts with the receiving of parts at the plant, ends with a finished car's engine warming up and its horn honking during the final inspection. The miniature cars are finally loaded onto a haulaway, shipped to a miniature Ford dealer, and emerge from his showroom for a spin down the highway.

The exhibit has been so successful that Ford plans to keep it permanently on display at Dearborn, except when it is dismantled and shipped off for temporary display at major auto shows. Ford won't say what the exhibit costs, but it is delighted with the public's reaction. The exhibit may, in fact, prove to be the most popular Ford has ever shown.

What Makes Money?

What's in a name? Plenty, when it comes to salvaging base metal. That, at least, is the experience of the Salvage Group at the West Allis Works, Allis-Chalmers Manufacturing Co. of Milwaukee, which has learned how a change of name can save money for the company. Here's how it happened:

As product parts are shaped and finished along the assembly line, chips of copper, iron, and even silver fly to the floor. Such metal has always, of course, been salvaged for resale. But it used to be labeled "waste." Production controls had moved waste levels down to such a point that they could no longer effect a dramatic drop. Constantly faced with a waste level of minimum proportions, the company cast about for a greater return on its salvage operation.

A look at existing procedures revealed that production foremen were being charged for waste as "defective workmanship." To put things in a more positive light, the company decided to de-emphasize the "waste" angle, and credit each department for the value of "scrap" it salvaged. Supervisors, of course, were delighted with the change. Waste may be waste, but what once meant red ink on the ledgers now means black.

To boost the resale value of metallic residues (a $1.3 million operation at West Allis Works), production departments segregate the metals into identifiable lots of iron, copper, and

so on. Segregated material sells for an average 15¢ per pound, whereas mixtures sell for only a third as much.

With a chance to get credit for waste, the incentive to segregate metals zoomed. Cashing in on employees' interest, the company issued a manual on scrap salvage, codifying salvage procedures.

Floor sweepers were given magnets to help identify ferrous metals. (The "gimmick" value of this alone, reports A-C, was astonishing.) Scrap bins placed in strategic locations around the plant must be labeled now before salvage truck drivers will pick them up.

How is the program working out? Just fine, says A-C. The company is processing about a million pounds of non-ferrous materials annually. Less than 5,000 pounds a year has to be sold at reduced prices because it's contaminated. And A-C discovered a hidden benefit in carefully segregating materials. It can now sell some metals which are not suitable for production at over their scrap value. When labeled, in fact, such materials bring an average $12,000 a year, compared to the old price of $2,000–$3,000.

A-C hasn't abandoned charging departments for waste, it hastens to add, but it's found that soft-pedaling the charges while playing up the scrap credits pays off.

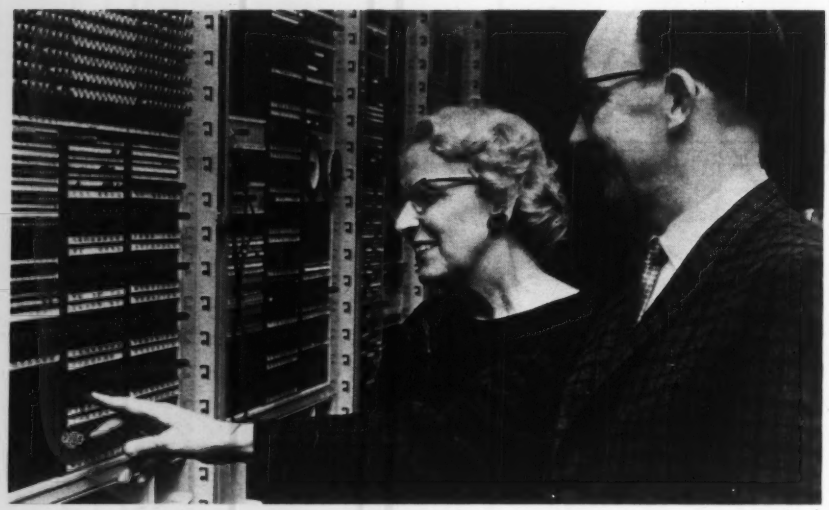
Educating the Educators

To the company that hires new high school graduates, the school counselor who advises graduates on career choices is an important source of applicants. But her value to both company and student is only as good as her understanding of the company's job requirements.

Puzzled by a long procession of substandard applicants for operators' jobs, Illinois Bell Telephone Co. discovered that local high school counselors regarded switchboard operation as rather menial work, requiring little skill and small talent.

To Illinois Bell, this discovery was alarming. If it gained much ground, the counselors' notion could portend a gradual drying-up of the company's sources of womanpower. Promptly, Illinois Bell challenged the faculty counselors to expose themselves to the very job they had downgraded, by taking six to eight weeks of summer employment with the company. Counselors who take up the offer work as telephone operators for four weeks, then explore the job duties of other telephone company personnel.

To Illinois Bell's relief, the program's modest cost has paid off in a sharp upgrading of its job applicants. And the constructive criticisms it gets from its temporary employees at summer's end have turned out to be surprisingly valuable.



A WIRE EXPERT explains switching equipment to each student adviser. Here, Leotta Hampton of Arlington Heights (Ill.) High School gets basic training.

Auto Shower for Employees

Thirty years ago it was almost fun to drive to work. An empty road beckoned, and parking space aplenty waited near the plant. Today, after bucking heavy traffic, the average plant worker faces a frustrating hunt for space in the company parking lot —where by day's end his car may be thoroughly coated with an unwelcome industrial film.

To the Riegel Paper Co. of Milford, N.J. this final irritation was just too much to ask its workers to take. What could be done? A free, automatic car wash for employees was the answer. Designed and constructed by Riegel's own engineers, the unit was installed in a matter of weeks, at a total cost of $1,500.

From early spring to late autumn, Riegel reports, the unit is in constant use. (To avoid frozen pipes, it shuts down in winter.) When leaving for the day, employees drive up to the wash and align their wheels, press a button on a stanchion, and slowly drive through. An automatic timer delays the deluge until the worker can roll up his window.

Employee reaction? "Enthusiastic," reports G. W. Clark, Riegel's director of industrial relations.

Cutting the Dealers In

What better way of securing employee loyalty than by making every worker an "owner"? Operating on this theory, countless companies have sold a share or two of corporate stock to workers who wanted to buy it.

If it works for employees, reasoned Harnischfeger Corp. of Milwaukee, why not for distributors? Accordingly, at a recent dealer conference, the company added some eighty domestic distributors to its stockholder family by giving each one a free share of company stock (value: $25). To make the most of its gesture, the company had the certificates framed, and president Henry Harnischfeger made the presentations in person.

Where the Money Goes

When you add them all up, taxes, Social Security and fringe benefits take a considerable bite from the typical paycheck. Few employees, however, bother to add them up. And even when they do, few comprehend just how thick a stack of greenbacks is represented by those digits on the check stub.

To hammer home the full cost of those taken-for-granted deductions, President William J. Servotte of Green Bay Wisconsin's Bay West Paper Co. decided to pay his employees their gross earnings in cash one payday.

Then, once they had been handed their stacks of currency, the employees would systematically pay back —in cash—each of the normal deductions.

To help speed the project, a temporary pay office was set up in the company's machine shop. There, at one end, employees received their gross pay in dollars. They then paused at a series of "deduction" stations to shell out cash for each benefit or obligation. At the last station, employees turned in their net pay, received the usual pay check with a stub listing deductions. The cash, incidentally, was retrieved because many workers were afraid to leave the plant carrying so many bills.

Since a local bank provided tellers to handle the cash transactions, cost of the project was almost nil.

Those Costly Containers

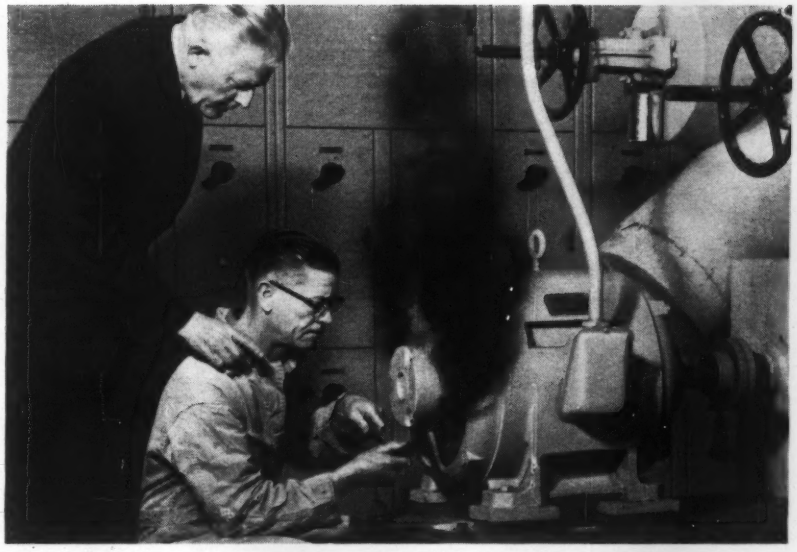
Many manufacturers know they could save a handsome sum if they could get back the expensive containers in which they market their products. But prying the containers away from customers is often far from easy.

Take even a small container like a soft-drink bottle, which costs the bottler roughly 7 cents. The traditional 2-cent rebate on every empty bottle brought in to the grocer gives customers the feeling they are saving money, results in a 5-cent saving to the bottler on each "empty" returned.

Yet in spite of the 2-cent incentive, there are a vast number of reusable containers hidden away in closets, cellars and garages that are never turned in. How do you ferret them out? John Munson, manager of the Pepsi-Cola Bottling Co., Jamestown, N.Y. found an answer by tapping the inexhaustible energy of childpower.

His idea: run a kiddie show at a local movie, charge six empty Pepsi bottles as the price of admission. Munson figured that if the kids could not round up all the unredeemed Pepsi bottles in Jamestown, they would at least badger their parents into buying a Pepsi six-pack to get the "price" of admission. Either way, Pepsi stood to gain, particularly since the theater cost the company only 10 cents a seat to rent.

The result? Over 500 youngsters showed up for Pepsi's two-hour show at Jamestown's Palace Theater, bearing nearly a truckload of usable bottles. —J.J.F.



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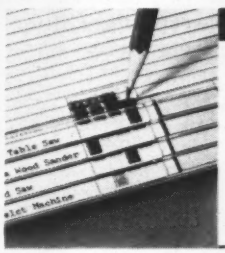

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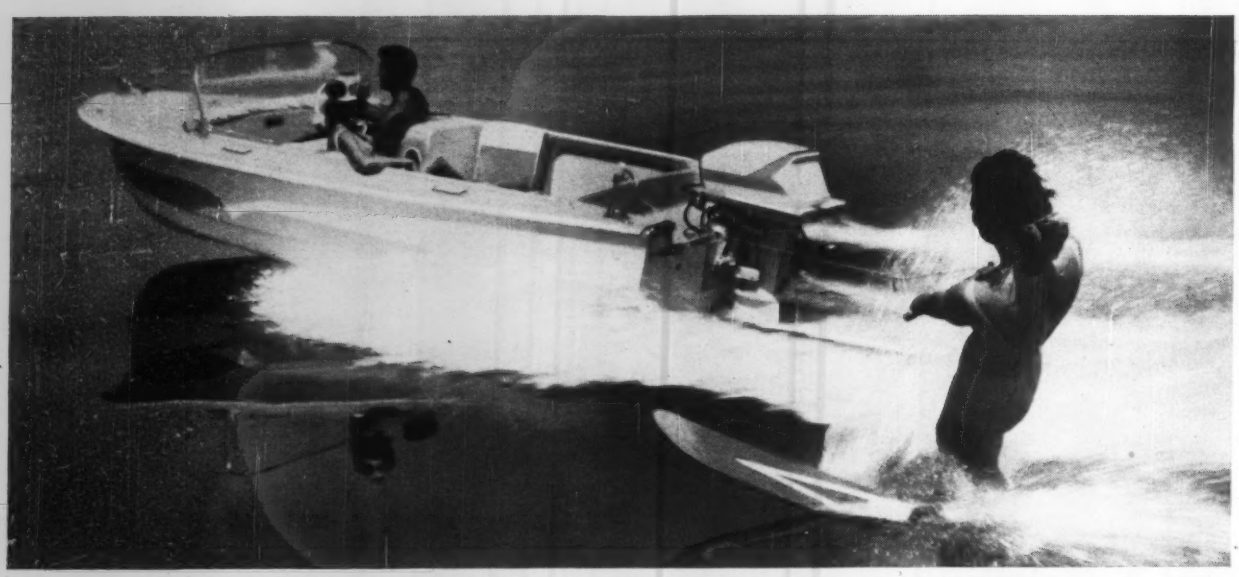

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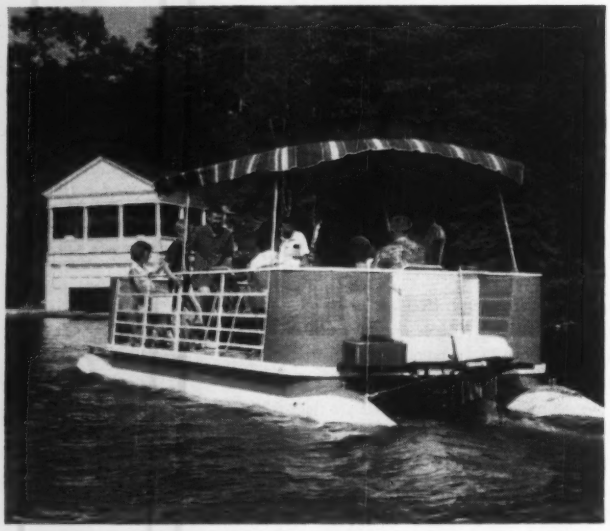

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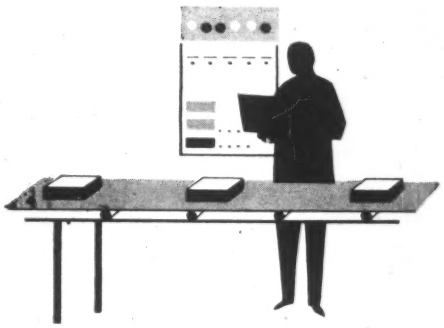


Inside Industry

- *Is all the worry about obsolescence unfounded? One school of thought says "Maybe."*
- *Simple new theory can get the assembly line going full strength in any shop.*

Those "Obsolescence" Blues

"Sixty per cent of American plants are obsolete!"

"Russia is building more than twice as many machine tools as the U.S.!"

"Sixty-eight per cent of all our production equipment is more than ten years old!"

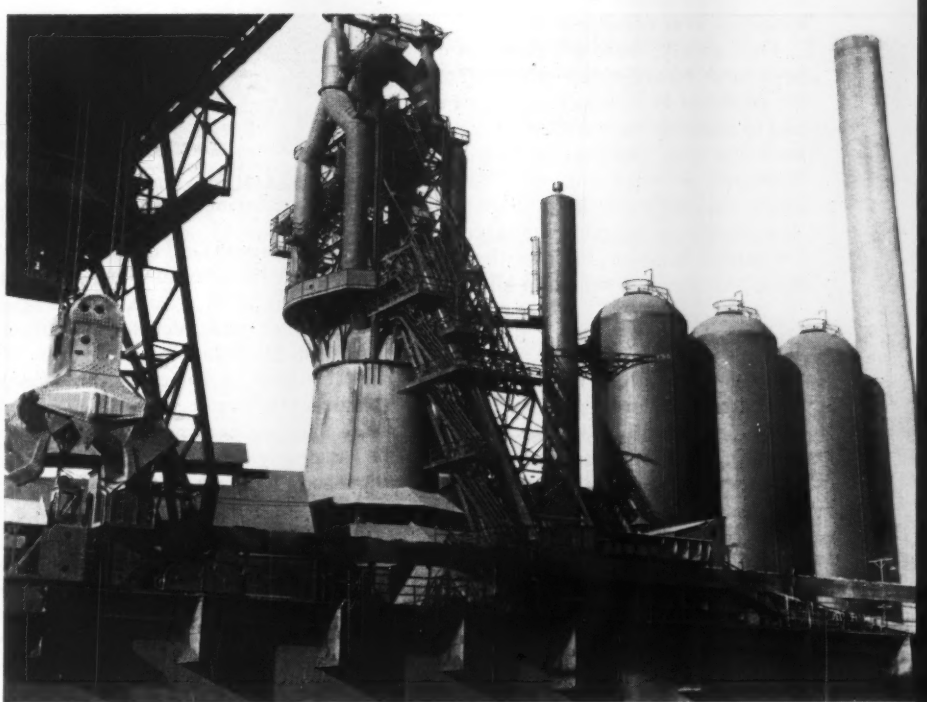
Cries of alarm like these are staple fare at business luncheons nowadays. They are meant—and taken—in deadly earnest. "Are we *that* bad off?" businessmen groan in dismay over their coffee cups.

Nobody can question the good faith of the industrialists and government officials who specialize in making scare headlines about our "obsolete" industrial plant. Nobody, for that matter, can question their statistics. And their conclusions? "Look," one knowledgeable businessman points out, "obsolescence is an abstraction—and a mighty slippery one at that."

A case in point: current American concern about machine tool production. Despite its rapid postwar growth, Russia is still far behind us in productive capacity. Since versatile machine tools are mostly used to build the more specialized production equipment that turns out end products, the Soviets obviously need far more new machine tools than a mature industrial nation like the U.S.

Even so, the amount of machine tools is less significant than their productivity. And American-made machine tools, equipped with unmatched electronic controls, are far more productive and flexible than their Russian counterparts. If this "productivity" factor is taken into account, our rate of machine tool production would be much closer to the Russians'.

To be sure, more liberal depreciation—and lower prices—would step up industry's machine tool buying. Yet the strongest inducements conceivable could not push U.S. industry into ordering machine tools at two-and-one-half times its present rate (as it would have to if it were to "keep up with the Russians"). Other generalizations about "obsolescence" lose a lot of sting when the productivity standard is applied. No manufacturer, of course, evaluates his plant and equipment on the basis of age. Reason: every machine tool is more or less obsolete on the day it is installed. Then, in fact, is the time it is aging fastest—like a human being at birth.



UP TO DATE or obsolete? Critics of industry's latest fetish say it is the extent of use, not its age, that should dictate the replacement of capital equipment.

Using the productivity yardstick, smart plant managers often pull out high-speed equipment only a year old while keeping a creaky 30-year-old machine on the job. Inconsistent? Not at all. If a year-old machine is run three shifts a day, seven days a week, replacing it with a newer version that is 10% faster may pay off handsomely. On the other hand, replacing an old forge that is used only two hours a day makes little or no economic sense.

Few executives, it is safe to say, lose much sleep over the bugaboo of "obsolescence" in their own plants. The question that does haunt them: "Are we competitive?" For the answer, management must look to many

factors other than the productivity of equipment. Wage levels are an obvious example. So is plant location. The most modern plant in the country, if it is remote from key markets, sources of raw materials, transportation and labor supply, cannot hope to compete with an older plant that is well located on all these counts.

In the final analysis, of course, the competitive strength of a plant and its equipment depends on the men who run it. And all the talk about obsolescence and machine tool production may do more harm than good if it distracts the attention of business from its Number One competitive weapon, good management.

Fortunately, there are plenty of experienced businessmen who still see the problem in perspective. "If I ever had to choose," says Gifford V. Leece, president of Gardner-Denver Co., "between an outdated plant run by smart management and a spanking new plant run by poor management, I wouldn't hesitate. I'd take the well-managed one, cobwebs and all."

Balancing the Line

Fifty years after Henry Ford invented the modern assembly line, the mass production industries are still wrestling with the problem of "line balancing"—keeping everybody on the assembly line working all the time. Not uncommon, in fact, is the sight of as many as 10% of the workers on a mass production line standing idle at any given time.

In theory, the problem is far from insoluble. So far, though, most of the mathematical approaches to line balancing have been too complicated for the average factory manager, who is often unschooled in higher mathematics.

Now, two Midwestern mathematicians think they have come up with the answer. Instead of the trial-and-error method most plant managers rely on today, they have developed a relatively simple arithmetical solution that even the man in the shop can use.

Maurice D. Kilbridge of the University of Chicago and Leo Webster of Armour Research Foundation call their new technique "an heuristic method of assembly line balancing."

Key to the heuristic (roughly, "self-help") method is a special chart of all work stations showing the existing sequence of assembly. Following some simple rules, the manager juggles the work stations around on the chart until he finds the optimum arrangement, with all assemblers working full time.

"LINE BALANCING," a problem on many assembly lines, yields to new solution by two mathematicians, who say their simple formula eliminates idle time.

Kilbridge and Webster emphasize that not all balancing problems are equally easy to solve. Possible complicating factors:

- a fixed order of assembly;
- assembly operations of varying time length;
- inflexible plant layout;
- work stations too big to be moved.

Nevertheless, the development of this new technique should be good news for many manufacturers. The economics of mass production being what they are today, even a 5% cut in labor costs is nothing to be sneezed at.

Battle of the Patents

Menaced by new threats to its proprietary patent rights, the defense industry is digging in for a fight in the hearing rooms of Capitol Hill. The prize at stake: commercial rights to R&D patents resulting from government contract work.

Current Department of Defense procurement policies give the Federal Government a royalty-free license to any patents granted companies for contract R&D, but allows the company to retain the commercial rights. In contrast, the National Aeronautics and Space Administration and the Atomic Energy Commission retain the commercial rights themselves—a situation industry has never been happy about.

What has the big defense contractors up in arms today, though, is a brace of bills now in the Congressional hopper that would deprive even Defense Department contractors of the right to exploit their R&D patents commercially.

Heading the industry's Congressional opponents are Senators John F. McClellan(D., Ark.) and Russell B. Long(D., La.). Senator McClellan's bill would give the Government exclusive right and title to any invention developed under a government patent. Senator Long's proposal: establishment of a Federal Inventions Administration to promote the widest possible knowledge and use of inventions and discoveries made under Government-sponsored R&D. "Some government departments and agencies," says Long, "are giving away to private contractors what rightfully belongs to the public." Backing him up are other Senators, some Defense Department officials, and an impressive string of scientists and engineering professors.

Instead of becoming defensive under this heavy fire, the industry has launched a bold counterattack. Its objective: extension of the Defense Department's liberal patent policies to the NASA and the AEC. Spokesmen for the National Association of Manufacturers, the Manufacturing Chemists Association, and the lesser-known Strategic Industries Association are presenting a barrage of evidence to support their claim that retained com-

mercial rights are a major inducement to industry to take on low- or no-profit R&D contracts. One telling point: the unexpectedly slow progress of private atomic energy development. Industry spokesmen do not claim, of course, that atomic energy would be competitive with fossil fuels if the AEC encouraged industry by giving up commercial rights. But they do insist that commercial development would be a lot further along.

"Because the NASA and the AEC retain commercial rights," says Samuel Cross, secretary and general counsel of Perkin-Elmer Corp., "we do not accept any of their contracts that appear to have commercial possibilities."

Publicly the battle is being fought on a lofty, what's-best-for-the-country plane. "Both the public interest and private equities are best served," says Augustus B. ("Gus") Kinzel, vice president of research for Union Carbide Corp., "when commercial rights to inventions developed with federal funds are retained by the inventor or contractor."

A power elite?

In private, however, the mood of the antagonists is bitter. There are acrimonious mutterings about "welfare-state boosters" and "big-government boys" from one side, "monopolists" and "power elite" from the other. To date, neither side has scored a clear-cut victory. But the controversy is still young.

Current Congressional attacks on its commercial patent rights are not the only threat to the defense industry's proprietary position. To some companies, a problem that rankles even more is the Government's practice, when establishing a "second source," of requiring them to give away blueprints and production know-how to a potential competitor. All too often, complains John Dempsey, vice president of Servomechanisms, Inc., the "second source" becomes a second source for the commercial version of the equipment as well.

"The very companies that make the greatest contribution to our technical progress," says Dempsey, "are being denuded of their rights in favor of job shops whose overhead is low because they don't have any design engineers. This is sacrificing technical progress on the altar of cost reduction."

—M.M.

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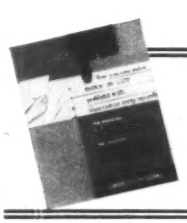

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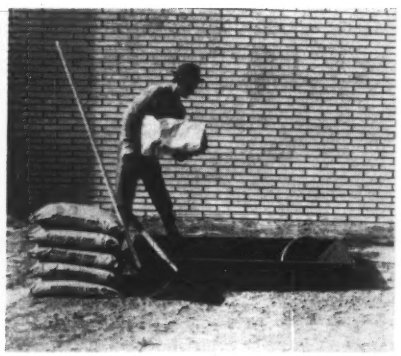
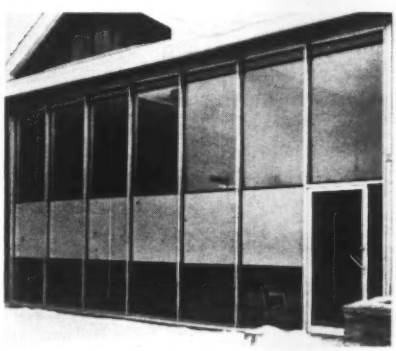


PREMIXED MORTAR: A new preblended cement includes all the ingredients needed to make mortar. The precisely controlled blend permits masons to lay about 25% more bricks, cutting the installed cost, and its uniform quality is expected to eliminate defective masonry work. *"Instant Crete," Instant Crete Corp., 1130 East St. George Ave., Linden, N.J.*

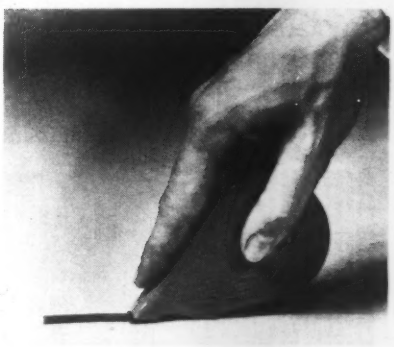
DIRECT DRILL: The design of this new drill puts the drilling axis in direct line with the natural application of pressure, giving the operator better control. The compact shape permits work in close quarters, and it can be bolted down for benchwork. *"Dirk," Disston Division, H.K. Porter Co., Inc., Porter Building, Pittsburgh 19, Pa.*

DURABLE DOME: This new 22-foot geodesic structure reportedly is more durable and costs less than a tent of equal size. The dome can be assembled by two inexperienced men in one day to provide 352 square feet of usable floor space. The lightweight, insulating panels are replaceable. $345. *"Geospace," Filtered Rosin Products Co., Baxley, Ga.*

SPEEDY CURTAIN WALLS: After the basic aluminum frame is erected, components in this curtain wall are sealed in place with neoprene "zippers." According to the manufacturer, the hermetically sealed joint will not leak. Fast assembly and a minimum number of components reputedly will cut costs up to 25%. *"Zipperwall," Kawneer Co., 1105 Front St., Niles, Mich.*



BREATHING EASY: This polyurethane filter mask will protect against breathing foreign particles as small as ½-micron. Suitable for use in cement and coal plants, the washable filter is expected to find use in the home as protection against breathing dust, pollen or sprays. $1.98. *"Resp-R-Aid," Davol Rubber Co., 69 Point St., Providence, R.I.*



ROLL-ON TAPE: Taping jobs are made easy with this new dispenser. With one hand, pressure-sensitive tape is smoothly rolled on the work. A slight twisting action cuts the tape to the exact length. The refillable applicator holds standard ½ inch-wide, 1 inch-core tape. 98 cents. *"Velvet Touch," The Velvet Touch Corp., Bellingham, Wash.*

continued on page 92

continued from page 91

CLEAR COMMUNICATIONS: A new line of mobile two-way radios suppresses interference from the equipped vehicle itself, as well as from surrounding traffic. The receiver is auto-

matically "turned off" during each minuscule ignition impulse, permitting clearer signal reception, and increasing the reception range. *"Extender," Motorola, Inc., 4501 W. Augusta Blvd., Chicago 51, Ill.*

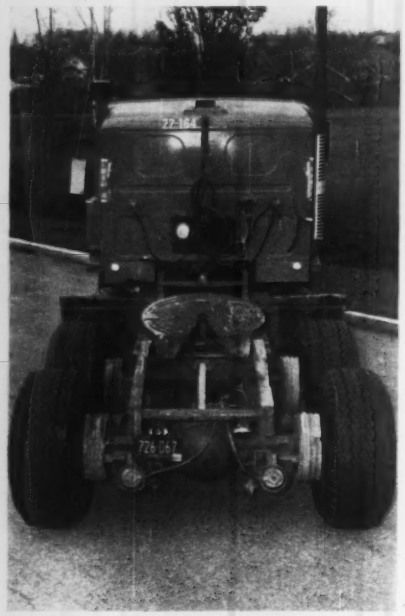
PORTABLE PUNCH: A new portable compactor operates from a self-contained 4 hp gasoline engine, allowing the operator to eliminate compressor equipment. The 120-pound tool delivers up to 700 power strokes a minute, directly over the center of gravity. *"Jumping-Jack," Master Vibrator Co., 1752 Stanley Ave., Dayton 1, Ohio.*

MOVABLE SOUND BARRIER: This new folding partition reportedly has the sound-insulating characteristics of a solid masonry wall. The steel-lined divider silences 41.8 decibels of sound,

enough to make normal speech inaudible. The price is about one half that of other folding partitions. *"Soundmaster 240," New Castle Products, Inc., Box 353, New Castle, Ind.*

VERSATILE VIEWING: The user may change magnification without refocusing while viewing through new zoom binoculars. Eyepieces on the less expensive model adjust individually for close or distance sighting, from 6X to 10X. Under $40. Other models up to 16X power, about $85. *Ray Josephs Associates, Inc., 247 Park Ave., New York 17, N.Y.*

WIDE RIDE: One of these new wide-track truck tires takes the place of two of standard size. The easier riding, broad tire offers more stability on the road, and truckers can expect to make

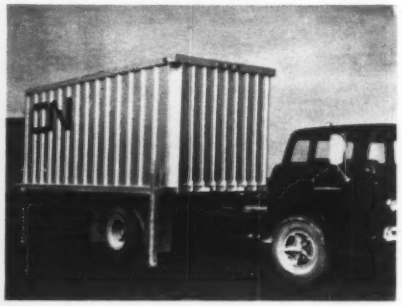


substantial savings by reducing inventory of tires, rims and wheel spacers. *"Duplex," The Firestone Tire & Rubber Co., 1200 Firestone Parkway, Akron 17, Ohio.*

TRIPLE TAPE: A convenient new adhesive tape roll contains three widths, wrapped side by side. Handy for small, medium and large first-aid patches, the tape is also suitable for mending, sealing and masking jobs. One roll holds ¼-inch, ½-inch and ¾-inch widths. *"Tri-Wide," Johnson & Johnson 501 George St., New Brunswick, N.J.*

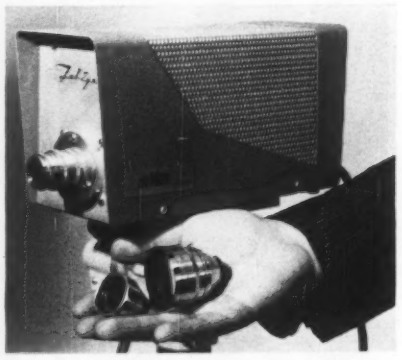
FLUORESCENT FILTER: A clear plastic sleeve for fluorescent tubes filters out ultraviolet radiation, halts fabric and paint fading and deterioration of synthetic fibers. The filter passes and diffuses 90% of the visible light, cutting glare. *"Infropake Filtersleeve," Infropake Corp. of America, P.O. Box 6292, Greensboro, N.C.*

STANDING SHIPMENT: Truckers can deposit this cargo container and return for a new load in little more than a minute. Self-contained legs on the trailer are dropped to the ground, and the truck is driven out from under. The system can also be adapted to



loading rail flatcars, where the container is quickly swung on from the side. Wheels and running gear remain on the truck, instead of becoming useless piggyback dead weight. *Steadman Industries Ltd., 2542 Wharton Glen, Summerville (Toronto), Canada.*

HOME TV CAMERA: This new miniature closed-circuit TV camera transmits a clear, sharp image for surveillance and entertainment in the home as well as for industrial use. Operated by a single control knob, the camera



plugs into any outlet and connects to standard TV receivers via coaxial connector. $550. Three-lens kit, $75. *"Tel-Eye," Allen B. DuMont Laboratories, 750 Bloomfield Ave., Clifton, N.J.* —E. G.

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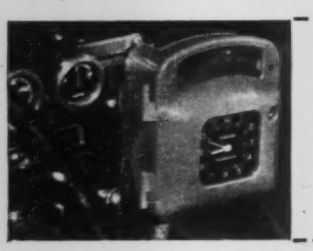

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Brief Reviews of New Business Books

"Mr. Millions"

THE MULTIMILLIONAIRES, *by Goronwy Rees. Macmillan. 128 pages. $3.50.*

What kind of a man becomes a multimillionaire? In this readable and dispassionate account of the careers of six of the wealthiest men in the world, British Journalist Goronwy Rees perhaps sums it up best. These men, says Rees, "are much as other men in that they are all different"—yet with one common denominator: a passionate involvement.

In fact, says Rees, "Mr. Millions" is a man so passionately and single-mindedly engrossed in his work that he has little time to enjoy the many luxuries it has brought him. He is also a lone wolf—strangely out of step with today's "organization-man" brand of capitalism—possessing a rare combination of the miser's thrift and the gambler's recklessness.

The multimillionaires:

- Jean Paul Getty, an oilman who parlayed a $500,000 inheritance into a reputed $1 billion personal fortune. Says Rees: a detached and plain-spoken man, possessing a deep knowledge of history and the arts.
- Sir Simon Marks, chairman of the famous British retail chain, Marks & Spencer, described as "half philanthropist, half artist," a man who seems to have "humanized business to the point at which it becomes something else."
- Aristotle Onassis, Greek shipping tycoon, a man of "vivid imagination, utterly and completely natural," who "though very rich, makes his wealth seem less important than what he is himself."
- Alfried Krupp von Bohlen und Halbach heir to the House of Krupp, the mammoth German iron and steel cartel which he raised from the ashes of World War II to its former place among the giants.
- Charles Clore, British magnate, pioneer and expert in the "take-over bid" technique.
- Marcel Boussac, owner of 10% of France's textile industry, including the fashion house of Dior; famous breeder and racer of horses.

—C.L.

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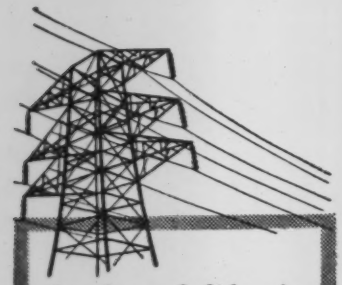

Southern California Edison Company

DIVIDENDS
The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 206
65 cents per share;

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 57
28 cents per share;

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 53
28½ cents per share.

The above dividends are payable July 31, 1961 to stockholders of record July 5. *Checks will be mailed from the Company's office in Los Angeles, July 31.*

P. C. HALE, *Treasurer*

June 15, 1961

Edison

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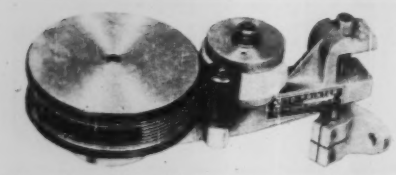

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The Reviewing Stand

Drawing the Border Line

Who is better qualified to advise top management, the consultant or the accountant? By the nature of their work, both claim the right to move into each other's bailiwick, and attempt to justify the intrusion.

The consultant claims to have greater experience in aiding top management, and to cover a wider range of subjects: executive appraisal, personnel training, automotive methods, data processing procedures, production and engineering efficiency, and so on. The accountant, pointing to a more or less constant relationship with management, climbs over the fringe areas of cost accounting into sales and marketing. He often, in fact, claims jurisdiction in the financing of any program to build new plants or distribute new products.

Generalizations are dangerous. Undoubtedly there are many areas where both the consultant and the accountant are highly qualified. Yet there seems to be a well-defined, if broad, boundary between financial and executive decisions. It is up to top management to decide where the line crosses and to set up the fence posts with a firm hand. The expert who tries to cover too much ground ceases to be an expert, and the specialist takes unwarranted authority when he tries on too many hats.

Minor Events, Major Results

Picking up a cracked eggshell can be a matter of significance, depending on the time, place and people involved. Such seemingly minor incidents can be meaningful and exciting because of their association of ideas and historic implications. In 1922, for instance, Roy Chapman Andrews found the fragment of a dinosaur egg that had lain for 70 million years in the Gobi Desert. The doors of the lost dynasties of the Nile Kingdom were unlocked when the Rosetta stone, found at Fort St. Julien in 1799, was decoded by Champollion. Fragments of the Dead Sea scrolls had been located in Palestinian caves for decades, yet it was not until they came to the attention of Biblical research scholars that their importance as collateral testimony to religious tradition was recognized.

Science and industry have profited by similar minor incidents, and even by accidents. When a piece of gutta percha fell on a hot stove lid, Goodyear found the secret of the vulcanizing process. It was an incident which converted a novelty into necessity. Chance cannot take the place of sustained research. The benefits of chance, however, are never overlooked when the trained, alert eye observes something that is new, different or beyond easy explanation.

The Deadly "But"

The art of belittling is an ancient mask for jealousy. Often observed among families and close friends, it usually takes the form of a cynical attitude toward someone else's success. The belittling attitude may reveal itself in something as fleeting as a raised eyebrow. It may appear in the ambiguous remark, "He's all right—but . . ." Always, however, belittling is in itself an admission of insecurity and self-justification.

Belittling has a parallel in the business world, for mediocre management often takes secret satisfaction in the difficulties of a company which has ripened to success too rapidly for its own good. Yet even though success is always exposed to slander, the belittler, whether in the family, business or politics, finds that more mud sticks to the fingers of the man who throws it than to the target. —A.M.S.

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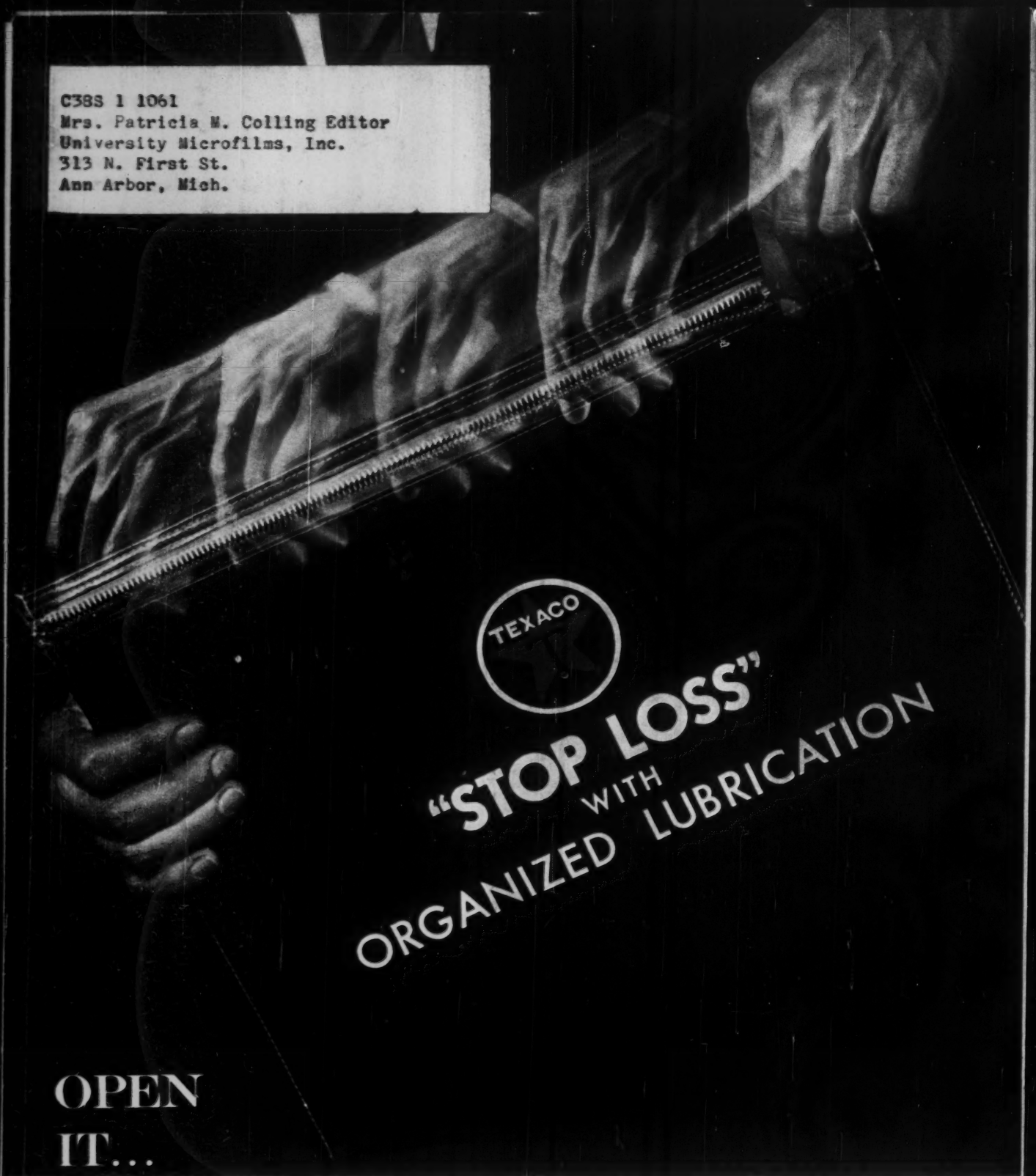

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